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BSE ROUNDTABLE DI SCUSSION

THURSDAY, JUNE 9, 2005

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1 APPEARANCES/SPEAKERS:
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3 Secretary Mike Johanns
4 Governor Tim Pawlenty
5 Robert Bruni nks
6
7 Elle Page
8
9 Kelli Ludlum
10 Carl Kuehne
11 Dr. Fred Dailey
12 Mike John
13 Dennis Sjodin
14 John Nalivka
15 John Adams
16 David Kaluzny, II
17 Bill Bullard
18
19 Dr. Ron DeHave
20 Dr. Barb Masters
21 Dr. Keith Collins
22
23 Dale Lueck
24 Herman Schumacher
25 Rafael Espinoza
Andre Couture
Tom Riemann
Dennis Swann
Steven Roach
Tim Nolte
Russell Johnson
Terry Arver
Mike Langenhorst
Buster Johnson

1 MS. PAGE: Good morning. I recently
2 read a profound statement about
3 communication. It said the most basic, the
4 most powerful way to connect to another
5 person is to listen, just listen. And he
6 went on to say that perhaps the most
7 important gift we can give another person is
8 our attention.

9 My name is Elle Page, I'll be the
10 moderator for today's panelists. Thank you
11 for giving us your attention today.

12 My role today will be to help these
13 panelists be successful in giving you the
14 maximum amount of information and viewpoints
15 on BSE.

16 Prior to the panel discussions
17 beginning we will hear from some dignitaries
18 including the Secretary and the Governor and
19 some USDA officials.

20 Let me introduce our esteemed
21 panel. Starting at the far end, Fred Dailey,
22 National Association of State Department of
23 Agriculture; John Nalivka, National Meat
24 Association; Bill Bullard, R-CALF USA;
25 Kelli Ludlum, American Farm Bureau

1 Federation; Mike John, National Cattlemen's
2 Beef Association; Dennis Sjodin, National
3 Farmer's Union; Carl Kuehne, American Meat
4 Institute; John Adams, National Milk
5 Producers Federation; and David Kaluzny, II,
6 National Renderers Association.

7 There are some ground rules for the
8 panelists this morning. We will have two
9 panel discussions. The first will be on
10 animal health and food safety, and then this
11 afternoon we will discuss the changing
12 infrastructure of the industry. Each
13 panelist will be given three minutes to make
14 opening remarks followed by an open
15 discussion.

16 And during that discussion, again,
17 to maximize the flow of information, we are
18 asking the panelists to keep their remarks to
19 two minutes each. At that time they will
20 comment on opening statements and provide
21 additional information or address questions
22 to their fellow panelists.

23 We do have a timer device that you
24 will see down in front to assist the speakers
25 in monitoring their time. We will move the

1 podium so they have a good view of that.

2 Panelists, you will have three
3 minutes, as I said, for your opening remarks.
4 The green light will start, it will flash to
5 let you know you have a minute, yellow light
6 will indicate 30 seconds remaining, and when
7 the red light goes off, I will recognize the
8 next speaker.

9 Audience, we ask that you would
10 give the folks down here this morning the
11 gift of your attention.

12 We appreciate your apt attention,
13 no interruptions, please.

14 We will have a public comment
15 period this afternoon. If you care to
16 comment, we ask that you would register, if
17 you have not already, upstairs at the
18 registration desk.

19 It is imperative that at lunch you
20 reconfirm that you wish to speak. If you do
21 not reconfirm, you will give your place away
22 to another person.

23 Great leaders are excellent
24 listeners, and the Secretary will be modeling
25 that for you, he will be an excellent

1 listener, he will also be a direct
2 participant in the panel discussion.

3 And with that let me introduce the
4 President of the University,
5 Robert Bruni nks.

6 (Appl ause.)

7 MR. BRUININKS: I'm Bob Bruni nks,
8 President of the University of Minnesota and
9 it's my distinct pleasure to welcome the
10 panelists and to welcome all of you to the
11 University of Minnesota.

12 This is an extraordinarily
13 important event in the life of our country
14 and I think in terms of what we do here at
15 the University of Minnesota, we are deeply
16 proud of the academic programs at the
17 University in veterinary medicine,
18 agriculture, food and environmental sciences,
19 our academic health center, they all work
20 together to address many of the issues that
21 you are going to discuss here today.

22 So a hardy welcome to you to the
23 University of Minnesota. I hope they don't
24 work you too hard. Walk our campus, get a
25 feel for this place, it's a very, very

the country and in the world.

It's my distinct pleasure to introduce two of our most honored guests here this morning, the Honorable Tim Pawlenty, Governor of the State of Minnesota and Secretary Mike Johanns, Secretary of Agriculture.

So it's my pleasure at this time to introduce them off to my right and your left.

GOVERNOR PAWLENTY: Thanks a lot and welcome to Minnesota for this important discussion.

I know we are here to talk about BSE and livestock issues, but I wanted to share with you an amazing healthcare story that I heard just the other day about this individual whose life here on our earth had sadly come to an end.

Went up to the pearly gates and he was greeted by St. Peter. St. Peter said, "You know, before we can grant you entrance, I need to know particularly what you have done to be deserving." And the gentleman said, "Well, let me tell you something, once

I came upon this huge gang of bikers. They had leather, they had chains and tattoos and

3 bulging muscles and they were chasing these
4 school children looking like they were going
5 to do them great harm, so I pulled out a tire
6 iron, I wielded it in front of them and I
7 said, 'You leave these kids alone.' "

8 Then I went over to their motorcycles,
9 this whole row of Harley chopped up
10 motorcycles and I kicked over the row of
11 motorcycles and knocked them all down flat
12 and smashed them into the ground. Then I
13 went over to the gang leader, the biggest one
14 I could find, the most muscular one I could
15 find and I grabbed him by his nose ring and
16 ripped it right out of his nostrils.

17 St. Peter said, "That's amazing.
18 When did all of this happen?" The guy said,
19 "Just a minute ago."

20 (Laughter.)

21 So I share that story with you
22 because it's a story about change. And as
23 you know, we've got a lot of change swirling
24 about the country in economic terms and
25 technology and demographics and culture and

1 science and certainly that applies to
2 agriculture and certainly applies to animal
3 agriculture as well.

4 This forum is really important to
5 bring stakeholders together and talk
6 face-to-face to share concerns, to share
7 best practices. While the internet is
8 wonderful, it doesn't replace face-to-face
9 interactions in connections with people on a
10 human basis.

11 We are so honored that the
12 Secretary of Agriculture is here, one of my
13 former gubernatorial colleagues,
14 Mike Johanns. Mike Johanns is just
15 outstanding and we'll introduce him formally
16 in just a minute.

17 This is the second time in recent
18 months that he has been in Minnesota and we
19 are so honored to have him back.

20 Of course, the number 1 job of the
21 USDA is food safety and protecting the public
22 in terms of food safety concerns. And one of
23 the roles of government is for government to
24 do what people can't do for themselves, and
25 the USDA does an outstanding job in this

1 area. The key to food safety, of course, is
2 to make sure that it's not based on rumors,
3 not based on unfounded fears, not based on
4 speculation, that it is based on sound

5 science and good information, good technical
6 information that's credible and trustworthy.
7 And that type of review and approach has been
8 brought forward by the USDA.

9 I commend them. I commend
10 secretary Johanns' leadership in terms of the
11 rigor and focus that he has brought to these
12 issues with an emphasis on a scientific
13 approach.

14 I also want to say in the Minnesota
15 context, of course, and it's true for much of
16 the rest of the nation that livestock
17 agriculture is tremendously important to our
18 state overall, to our overall economy, it's
19 really important to our agricultural economy.

20 Livestock agriculture is about half
21 of the overall ag and food processing economy
22 in the state of Minnesota, provides over
23 48,000 jobs.

24 And this sector of our economy is
25 under a lot of pressure. If we are going to

1 be successful as a state, we are going to be
2 successful as an agriculture state, we have
3 to have a stable and growing livestock
4 agriculture sector in Minnesota. And we have
5 some challenges, and the Secretary is here to

6 help with this and help address those
7 challenges.

8 Before I introduce him I also
9 wanted to say quickly, a state like
10 Minnesota, a state like Nebraska, a modest
11 population, in terms of size, we can't
12 compete, we can't thrive, we can't succeed
13 unless we have vibrant export opportunities.

14 You can't have a closed market in a
15 place like Minnesota and expect that there is
16 going to be dramatic growth opportunities
17 because we have a modest population and we
18 have to look beyond Minnesota for those kinds
19 of opportunities, and that's particularly
20 true in agriculture, and it's particularly
21 true in livestock agriculture.

22 So Minnesota has been a big winner
23 in the past in this regard, and we need to
24 make sure that those export opportunities
25 remain open across the board.

1 So I want to say that keeping the
2 food supply safe and the beef industry viable
3 and reassuring and in hopefully reaching out
4 to new and expanded trading partners, it is
5 important to set our goals and priorities for
6 the state of Minnesota. I know it's an

7 important set of goals for the Secretary and
8 the Department as well.

9 The Secretary, as I said, has been
10 just an outstanding friend, an outstanding
11 advocate. He has a heart and a passion for
12 agriculture issues and what it means to our
13 country economically, what it means to our
14 country in terms of the social historical
15 heritage and tradition of Minnesota and
16 America.

17 The President made an outstanding
18 choice in appointing him to be the Secretary.
19 It is a very large country, as you know, and
20 having somebody who is a hallmark be the
21 secretary of agriculture who understands
22 agriculture, who is from a place like the
23 Midwest is a really big value added component
24 to what he brings to this leadership
25 position. He understands our challenges, he

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1 understands places like Minnesota.

2 And my Dad used to say that who we
3 are depends in part on where you come from.
4 And the Secretary is the son of a dairy
5 farmer. He has spent time growing up in
6 Iowa, he was educated in Minnesota, of
7 course, that's why he's so smart. He is --

8 spent a good deal of time in our state.

9 He also brings a great deal of
10 passion to this job. I just asked him in the
11 hallway, "What do you like about it?" He
12 said, "It fits. I really care about the
13 issues, it's who I am." So he has great
14 interest in the issues and that fuels his
15 passion and his energy.

16 We are grateful to have him here,
17 please give a warm Minnesota and regional
18 welcome to a Hawkeye, a Cornhusker, a Gopher
19 and now Secretary of Agriculture,
20 Mike Johanns.

21 SECRETARY JOHANNNS: Well, let me start
22 out and say thank you to Tim. I appreciate
23 his kind words and his warm welcome. It's
24 always great to be in his state. And to the
25 President of the University of Minnesota,

15

1 thank you for hosting this enormously
2 important event, we appreciate the
3 hospitality.

4 I've been kind of surveying the
5 crowd. Are there any Nebraskans in the room?
6 Just don't be shy, raise your hand. Yeah, I
7 see a hand here and there. Great, we are
8 glad to have you here.

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9 I have a special assignment for the
10 Nebraskans. I left kids back there. When
11 you go back home, tell them that I found work
12 in Washington.

13 I saw the puzzled looks on your
14 faces when the Governor mentioned that I grew
15 up in a dairy farm in Iowa. And I did, not
16 all that far from here. So I better clear up
17 where that was at before I get started here.
18 I don't want you focusing on where I came
19 from and not listening to me.

20 I actually grew up near a community
21 called Osage, Iowa. Now, for those that are
22 not from the Iowa part of the world, I
23 suspect I'm still seeing puzzled expressions.
24 So I better clear up where Osage is at.

25 Osage is south of Statesville and

16

1 St. Ansgar and straight east of --

2 (Laughter.)

3 GOVERNOR PAWLENTY: Now you know where
4 Osage is at.

5 (Laughter.)

6 I did grow up on a dairy farm. I
7 was one of three sons and I tell people that
8 my father's idea of building character in his
9 sons was that we were handed a pitchfork and

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10 we were sent to the dairy barn or the hog
11 house or the chicken house, and we stood
12 about knee deep in you know what and cleaned
13 those buildings out.

14 Little did he know back on that
15 dairy farm in northern Iowa that what he was
16 really doing was preparing me for my life in
17 politics.

18 One of these days I'll tell that
19 story to the wrong crowd and I'll be in big
20 trouble.

21 (Laughter.)

22 Well, let me say I've been asked
23 many times: What did you hope to have happen
24 at this event? What are you expecting? And
25 I will tell you if I had a dream about what

17

1 would happen, it is that what is happening
2 right now.

3 We've got a room full of people
4 hugely interested in the topics that we are
5 going to talk about today, certainly very,
6 very mindful of the differences of opinion in
7 this room, the differences of opinion
8 relative to the people behind me. But you
9 know what, I think that's good. I think this
10 is an opportunity for us to sit down and have

11 a discussion and ask questions and probe and
12 explore what we are dealing with here.

13 No matter what side of any issue you
14 happen to be on, I think what we really want
15 to concentrate on is the viability of this
16 industry, not only today, but in the future.

17 Communication is such a vital part
18 of what I do as Secretary of Agriculture. It
19 certainly was in my role as Governor of
20 Nebraska, and that means listening.
21 Sometimes the best part of communication is
22 just sitting back and listening and listening
23 to views that are different than our own and
24 respecting those views even in times of
25 disagreement. I take that responsibility

18

1 very seriously. And that is really why we
2 are here today.

3 Since a rather historic event when
4 that single cow with BSE was discovered in
5 the state of Washington a year and a half
6 ago, a lot of information has been
7 disseminated to the public. And quite
8 honestly, some of that information has
9 probably been misinformation.

10 We are going to talk about two
11 areas here today.

12 We are going to talk about the
13 safety of American and Canadian cattle and
14 beef. We are going to talk about the
15 significant changes that we see in the
16 infrastructure of the industry.

17 If there is one constant in the
18 business of agriculture, it is the constant
19 of change. That dairy farm that I speak so
20 proudly about and have such fond memories
21 about now some 35 years later, farming is a
22 lot different than it was then, change is the
23 constant for agriculture.

24 There can be no doubt that every
25 day that we deal with border closures, there

1 is going to be an impact, we know that.
2 Whether you are talking about the Japanese
3 border or whether you are talking about South
4 Korea or whether you are talking about
5 Canada. And the longer that that impact
6 occurs, the more significant the changes are.
7 And like anything else, once change has
8 occurred, it is very unlikely that we will go
9 back to the state of affairs before.

10 It's very unlikely that 30-cow
11 dairy herd that we milked, that quarter
12 section of land that my parents raised four

13 children on will be a part of the widespread
14 landscape of agriculture in the future. Once
15 change occurs in this business, it tends to
16 lay the platform for the next change and the
17 next change.

18 Well, what we have done today to
19 discuss these issues, we brought together a
20 panel of producers and industry
21 representatives. You might even call them
22 people with expertise in this area from both
23 inside and outside the Government.

24 I will tell you right at the start
25 that not all agree on everything, but I think

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1 we can all agree that the discussion is
2 important, and I believe that our experts
3 would agree on that.

4 So if I might start with the issue
5 of safety and just offer a thought.

6 Protecting the consumer is the
7 priority responsibility, that's the absolute
8 highest priority; really of everybody in this
9 room, but also of the USDA.

10 And I can tell you, as I have said
11 publicly so many times, I'm confident that
12 the beef supply in North America is a safe
13 beef supply.

14 As you know, since the discovery of
15 that one animal, we've made significant
16 changes at the USDA. Many of those changes
17 occurred before I came to the job.

18 Also since that time, our enhanced
19 surveillance has tested now about 375,000
20 cattle in high-risk populations, and we
21 haven't found any new cases of BSE.

22 That high-risk population, it's
23 included nonambulatory animals, it's included
24 animals that people refer to as downers,
25 animals exhibiting signs of a central nervous

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1 system disorder, and we've tested them. I
2 think those findings are important.

3 We have a body of information today
4 that we did not possess even as most recently
5 as a year and a half ago.

6 With that said, let me add that we
7 will continue to upgrade our defenses because
8 we just always have to be vigilant and we
9 always need to be paying attention.

10 We will continue to study the
11 science of BSE, and for that matter all
12 animal issues, because when we know more
13 about it, we are able to deal with it more
14 effectively. But again, I would say what

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15 I've said so many times publicly, what I
16 believe very strongly, North American beef
17 supply is safe.

18 We know that Canada and the United
19 States have done many things in conjunction.
20 We confirmed with our own eyes when we sent a
21 USDA team to Canada and spent significant
22 time studying their system. They are very
23 proud of their industry, folks, just like we
24 are proud of our industry.

25 We also know that that border

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1 reopening does conform with the international
2 standards. It's a scientific approach that
3 we are talking about. We ask that once
4 safety of the product has been confirmed,
5 that we trade, that we have the ability to
6 trade in that product.

7 And we've done that confirmation
8 with Canada. It's not guesswork, really it's
9 science. This morning's presenters are going
10 to talk in more detail about that.

11 And that brings me to the impact of
12 trade disruption and what that means, not
13 only short-term but long-term.

14 When we look at the big picture, we
15 do see that progress has been made. In

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16 December of 2003, one animal, borders closed
17 to 64 percent of US beef products, 64
18 percent, one animal, borders closed.

19 Today we've recovered well over a
20 third of that, having recently announced the
21 reopening of Taiwan, Egypt, Oman and we
22 continue to make progress with other
23 countries.

24 Forty-one percent does remain
25 closed, so there is more work for us to do.

23

1 That equates to about \$3 billion.
2 \$3 billion, not an insignificant figure.

3 You know the facts on this one,
4 Japan represents nearly half the market that
5 remains closed. Reopening that market
6 remains a very high priority. In fact,
7 during my confirmation process I said it
8 would be my top priority.

9 I've said also that it's difficult
10 to ask Japan to treat us one way while we are
11 effectively treating another major trading
12 partner another way.

13 It is difficult to insist that
14 Japan make decisions based upon science if we
15 are not willing to live by that standard
16 here.

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17 We are doing everything we can to
18 deal with this issue, but some things, some
19 other things about the economics are obvious.

20 Canada is represented here today,
21 as you might expect, Japan is too. What we
22 see in Canada is that they are expanding
23 their capacity.

24 My counterpart in Canada is a
25 gentleman by the name of

24

1 Minister Andy Mitchell, and he has said to me
2 on a number of occasions that their first
3 choice, by far, would be to resume trade with
4 the United States. However, because that is
5 not happening, they've had to take other
6 actions. Again, a very proud industry there.

7 Let me share a quote from Minister
8 Mitchell about what they are doing in Canada.
9 He said they are undertaking an aggressive
10 marketing campaign to reclaim and expand the
11 markets for Canadian beef. He also spoke of
12 the strategy to increase Canada's capacity
13 processed beef through financial incentives
14 and other means. And I might add they are
15 being successful.

16 The number of cattle processed in
17 Canada rose in 2004, and the number continues

18 to increase this year. And we'll hear more
19 about the specifics of that.

20 The simple truth is that every day
21 the border is closed, there is an impact.
22 Every day we see American processors impacted
23 in an industry, that I might add, is very
24 consolidated already. And in all of this,
25 the very large processors do find ways to

25

1 survive. It's the small ones that are
2 impacted.

3 Every day we move further down the
4 path toward permanent job losses and loss of
5 capacity, we have permanent impact.

6 The issue was brought home again
7 just recently when Packerland Packing
8 announced that their plant in
9 Gering, Nebraska would be shut down; not
10 fewer hours, not layoffs, shut down. 200
11 people, many of those families, depended upon
12 that income, are now in a very, very
13 difficult bind. And having been the Governor
14 of that state, I will tell you that replacing
15 those jobs in Gering, Nebraska is going to be
16 very, very difficult. It's the nature of
17 what has happened.

18 Every day ranchers are hit with

19 higher transportation costs to ship their
20 cattle to more distant markets.

21 Not long ago a gentleman by the
22 name of Monty Weston from Utah came to D.C.
23 with some producers and he urged me to do
24 everything that I could to move forward to
25 reopen the Canadian border. He described the

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1 impact in his area of the country and the
2 cost of shipping cattle into the Midwest.
3 He's not a big operator.

4 Last month I visited the EA Miller
5 Processing Plant in Hyrum, Utah. Their 66
6 workers had to let go and the number of
7 cattle processed has dropped 20 percent.

8 By hearing those stories from
9 others, the fact is that this discussion
10 could not be more timely. Realities are
11 realities, and we have to face the change
12 that has already occurred in what I regard as
13 one of the great industries in our country,
14 the beef industry.

15 So we are going to do everything
16 that we can today to put the information out.
17 We've got panelists here, like I said, on all
18 sides of the issue. They are going to ask
19 questions. And I think that this afternoon,

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20 if I remember our schedule correctly, we are
21 going to have an opportunity for folks to
22 offer their views or to ask a question.

23 Let me wrap up my comments and just
24 say thank you to all of you for being here.
25 We appreciate it immensely. We appreciate

27

1 your attention to this very, very important
2 issue.

3 God bless you. Thank you.
4 (Applause.)

5 MS. PAGE: Before we start the panel
6 discussion we are going to have two guests
7 from USDA in addition to the Secretary.

8 Starting off will be
9 Dr. Ron DeHaven, he is the administrator of
10 Animal Plant Health Inspection Service.

11 DR. DEHAVEN: Wow, it's not every day
12 that you have the opportunity to follow the
13 President of the University, the Governor of
14 a state and the Secretary of Agriculture at
15 the podium like that. This is one of those
16 unique opportunities.

17 Let me start by saying the USDA has
18 long said that our approach to BSE needs to
19 be based on science and a real understanding
20 of the disease risk. Over the last 20 years,

21 we've accumulated a significant body of
22 scientific evidence on BSE, both through
23 research and experience.

24 So I'd like to take this
25 opportunity to review what we actually know

28

1 about this disease. And most importantly, we
2 know that the spread of BSE can be
3 effectively controlled.

4 First let me remind everyone that
5 although BSE is considered a disease of
6 significance, it's not a contagious disease
7 and does not spread through animal contact.
8 Instead, it is a slow-acting disease with a
9 long incubation period that is transmitted
10 through the consumption of feed contaminated
11 with the infectious agent.

12 Second, the experience in both the
13 United Kingdom and elsewhere in Europe has
14 demonstrated that certain control measures
15 are extremely effective in safeguarding
16 against BSE. The epidemiological curve in
17 your handout clearly shows the effect of the
18 feed ban on the number of BSE cases found in
19 the United Kingdom. Feed restrictions on
20 ruminant protein prevent the transmission of
21 the disease between the animals, and the

~4525779.txt
22 removal of risk materials from the human food
23 supply prevent the transmission to people.
24 We know that feed restrictions are
25 effective by the continued decline in the

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1 number of BSE cases worldwide.
2 Based on our scientific knowledge
3 of the disease, we have taken several key
4 steps, some of which have been in place for a
5 number of years to safeguard the health of US
6 livestock and our food supply against BSE.
7 And we are fortunate that Canada shares our
8 commitment and overall approach to dealing
9 with the disease by taking comparable and
10 effective measures consistent with our own.
11 This is especially important given that
12 historically the North American cattle
13 industry has been highly integrated.

14 In 1997, long before finding the
15 first native born case in North America, both
16 Canada and the United States implemented feed
17 regulations banning, with some exceptions,
18 the feeding of ruminant protein back to other
19 ruminants. This critical action has helped
20 prevent an outbreak similar to those seen in
21 countries where feed bans were instituted
22 only after BSE cases were identified. Expert

23 risk analyses have repeatedly shown that if
24 BSE were introduced into the US herd, the
25 feed ban, even if not perfectly enforced,

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1 would prevent the disease from becoming
2 established and spread in the United States.
3 Additional safeguards in place,
4 both in the United States and Canada include
5 comparable and effective import restrictions,
6 slaughter restrictions, the rendering process
7 and removal of specified risk materials from
8 the human food supply. Given these
9 safeguards and the fact that BSE can be
10 transmitted only under very specific
11 conditions and not through casual contact
12 between animals, the risk of BSE transmission
13 in the United States and Canada remains
14 extremely low.

15 So we've reviewed what we know
16 about the science of the disease and the
17 means by which it can be controlled. And
18 this brings us to the question of how
19 successfully are we in executing those
20 measures.

21 The answer to that question is
22 obtained primarily through BSE surveillance.
23 Both Canada and the United States have in

24 place successful BSE surveillance programs
25 targeting the population where the disease is

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1 most likely to be detected and sampling
2 percentages of the adult cattle population
3 that are similar. This surveillance enables
4 us to monitor the continued effectiveness of
5 our respective BSE safeguards. And the
6 result of the surveillance indicate that our
7 controls are working. During the past year
8 USDA has sampled and tested more than 375,000
9 high-risk animals for BSE. And to date, no
10 new cases have been found.

11 Additionally, in January, after
12 Canada discovered two additional cases of
13 BSE, one born shortly after the
14 implementation of the feed ban, the USDA sent
15 two technical teams to Canada to conduct both
16 an epidemiological review of Canadian BSE
17 cases and an examination of Canada's
18 compliance with its 1997 ruminant-to-ruminant
19 feed ban.

20 USDA's feed ban review found that
21 Canada has a robust inspection program, that
22 overall compliance with the feed ban is good
23 and that the feed ban is effectively reducing
24 the risk of BSE transmission in the Canadian

1 The review teams' findings verified
2 the information previously cited in USDA's
3 risk analysis and support the conclusion that
4 Canada's feed ban is effective. The full
5 feed ban report is available on USDA's Animal
6 and Plant Health Inspection Service's
7 website.

8 USDA's epidemiological review team
9 of the Canadian BSE cases and their report
10 was released in April, the USDA technical
11 team found that Canada's epidemiological
12 efforts were not only appropriate but
13 exceeded recommended levels from an
14 international team of BSE experts.

15 The science of this disease
16 supports the conclusion of the US animal
17 health and the human food supply can be
18 protected while continuing trade with BSE
19 affected countries as long as appropriate
20 protections and mitigations are taken. The
21 World Organization for Animal Health, or the
22 OIE, has never advocated that countries
23 totally prohibit all imports of meat and meat
24 products or even live cattle from countries
25 reporting detections of BSE. Both OIE

1 guidelines and the science of the disease
2 support the safety of trade in live animals
3 and beef provided that exporting countries
4 have taken precautions against the disease
5 and that appropriate safeguards such as feed
6 bans and SRM removal are in place.

7 As many of you know, the OIE
8 recently adopted changes to the International
9 Animal Health Code in a chapter on BSE. The
10 new OIE guidelines further reflect the
11 current science and recognize the low risk
12 associated with BSE even when risk mitigation
13 measures are followed.

14 Guideline updates include the
15 adoption of a streamlined, three-level
16 country classification system and the
17 acceptance of a revised non-risk product
18 list. That list now includes boneless beef
19 that meets certain criteria which can be
20 traded safely regardless of the country's BSE
21 status.

22 The import criteria USDA has
23 specified for BSE minimal-risk regions are
24 consistent with this OIE approach. These
25 requirements include, among others,

1 sufficient import restrictions to minimize
2 BSE exposure, surveillance for BSE at levels
3 that meet or exceed international guidelines,
4 a ruminant-to-ruminant feed ban with
5 effective enforcement and appropriate
6 epidemiological investigations, risk
7 assessment and risk mitigation measures.
8 Canada meets all of these criteria.

9 This is why we are confident that
10 the requirements of the minimum risk region
11 rule in combination with overlapping animal
12 and public health measures already in place
13 in the United States and Canada provide the
14 utmost protection to both US consumers and
15 our livestock. USDA is fully confident that
16 both American and Canadian cattle are equally
17 protected from BSE and that the safe entry of
18 Canadian cattle and bovine products is fully
19 supported by the available science.

20 I look forward to our discussions
21 this morning and for the rest of the day and
22 trust that what we do here today will advance
23 the cause of science based BSE policies which
24 will in turn help facilitate the trade of
25 North American beef both here and abroad.

1 Thank you very much.

2 MS. PAGE: Next up is Dr. Barb Masters,
3 acting administrator of the Food Safety
4 Inspection Service. Thank you for those
5 remarks

6 DR. MASTERS: Good morning, everyone. I
7 too am honored to be here today and I will
8 focus my remarks on the public health aspects
9 of BSE.

10 The Food Safety Inspection Service
11 or FSIS uses science based policies to
12 effectively protect the health and well being
13 of consumers worldwide against the threat of
14 BSE and other food safety concerns. Science
15 based policies are built on the public health
16 model which includes first, assessment;
17 second, policy development; and third,
18 assurance or verification of effectiveness.

19 For more than a decade, the United
20 States Department of Agriculture has had an
21 aggressive program in place for surveillance,
22 detection and response to BSE. This program
23 is led by APHIS, which has a responsibility
24 for the health of live animals.

25 FSIS plays a strong role in the

1 i denti fi ca ti on of sam p les from hi gh-ri sk
2 ani mal s for thi s pro gram.

3 We al so have over 7, 500 i nspec ti on
4 pro gram per son nel and ap pro xi ma te ly 6, 300
5 slaugh ter or pro cess ing es ta bl ish ments each
6 and ev ery day ve ri fy ing the sa fe ty of meat,
7 poul try and egg pro ducts all a round the
8 cou n try. Thi s in clu des the i den ti fi ca ti on
9 and con dem na ti on of cat tle that are show ing
10 cen tral ner vous sys tem or ders on an te-mor tem
11 i nspec ti on. The au tho ri ty to mo ni tor and
12 en force the ani mal feed ban rests with the
13 Food and Drug Ad mi ni stra ti on.

14 Our ac ti ons have in vol ved ex ten si ve
15 col la bo ra ti on among our a gen ci es. To ge ther
16 we have im ple men ted re gu la to ry ac ti on and
17 po li ci es to cre ate mul ti ple fi re wall s to
18 strengthen and protect against the
19 in tro duc ti on and spread of BSE in US cat tle
20 and a gainst hu man ex po su re to the BSE a gent.

21 The de tec ti on of a sin gle case of
22 BSE in a cow im por ted from Ca na da on
23 De cember 23rd, 2003 led us to fur ther
24 strengthen our BSE sa fe guards to protect
25 hu man heal th.

1 I would like to now focus on the
2 BSE measures that FSIS took following that
3 finding.

4 On December 30th, 2003, one week
5 after the announcement of the positive BSE
6 animal, then-Secretary of Agriculture
7 Ann Veneman made a major policy
8 announcement, the prohibition of slaughter of
9 nonambulatory disabled cattle, the removal of
10 specified risk material from the food supply
11 as well as other actions to protect animal
12 and public health. USDA immediately put the
13 ban on nonambulatory cattle into effect.
14 These animals were considered unfit for human
15 food.

16 FSIS public health veterinarians
17 are responsible for enforcing this ban, and
18 we have provided them with specific training
19 on when cattle are to be condemned at
20 slaughter.

21 Following USDA's ban on
22 nonambulatory disabled cattle, FSIS issued
23 four federal registered documents, three
24 rules and one notice. These regulations were
25 published within 20 days after the positive

1 finding in Washington state.

2 The process for publishing such
3 rules normally would take months or even
4 years. FSIS had already done considerable
5 work that laid the groundwork for these
6 interim final rules. Several proactive
7 measures had already been implemented to
8 safeguard our beef supply not only for US
9 consumers but for our trading partners around
10 the world.

11 Using science as a foundation based
12 in part on the Harvard BSE risk assessment,
13 we were able to take immediate action. This
14 risk assessment reviewed available scientific
15 information related to BSE and other TSEs,
16 assessed pathways by which BSE could
17 potentially occur in the United States and
18 identifying measures that could be taken to
19 protect human and animal health in the United
20 States.

21 The key findings of a Harvard BSE
22 risk assessment were used in conjunction with
23 the most current scientific literature and
24 information from the BSE epidemic in the
25 United Kingdom and elsewhere in Europe.

2 develop the interim final rules to address
3 the food safety concerns arising from the
4 finding of BSE in the United States.

5 I will now briefly summarize the
6 interim final rules.

7 First, FSIS issued a notice
8 providing that any animals that were tested
9 for BSE will not be marked as inspected and
10 passed until our public health veterinarians
11 receive confirmation that the cattle have, in
12 fact, tested negative for BSE. We are
13 referring to this as a test-and-hold policy.

14 FSIS published a second document,
15 an interim final rule, to require that
16 specified risk materials or SRMs do not enter
17 the food supply.

18 We identified the brain, skull,
19 eyes, trigeminal ganglia, spinal cord,
20 central portions of the vertebral column and
21 dorsal root ganglia of cattle 30 months of
22 age and older as SRMs. Additionally we
23 declared the tonsils and distal ileum of all
24 cattle as SRMs.

25 All SRMs are prohibited for use as

1 human food. The list of SRMs is consistent
2 with international guidelines and actions

3 taken by Canada. FDA took similar action
4 with products they regulate. Banning SRMs
5 from the food supply represents the most
6 effective firewall for protecting public
7 health.

8 The second rule involved product
9 that is produced using advanced meat recovery
10 or AMR. FSIS had previously established and
11 enforced regulations that prohibited spinal
12 cord from being included in AMR products
13 labeled as meat. The interim final rule
14 expanded the prohibition to include dorsal
15 root ganglia or DRG. DRG are clusters of
16 nerve cells that are along the vertebral
17 column in addition to the spinal cord tissue.
18 Because the vertebral column and skull in
19 cattle 30 months of age or older are
20 considered inedible, we do not allow them to
21 be used in processing advanced meat recovery
22 products.

23 Finally, the third rule banned
24 air-injection stunning equipment. This was
25 done to ensure that portions of the brain are

1 not dislocated into tissues of the carcass as
2 a consequence of stunning cattle during the
3 slaughter process. While the use of this

4 stunning equipment was not common in the
5 United States, officially banning its use not
6 only ensures that it will be prohibited
7 domestically, but it will also make it a
8 requirement in equivalency in establishments
9 outside the United States when slaughtering
10 for export to the United States.

11 The actions that I have just
12 reviewed are all science based measures
13 designed to further minimize potential of
14 human exposure to BSE, the BSE agent through
15 consumption of beef and beef food products.

16 In addition to these actions, FSIS began
17 collecting and submitting samples from
18 ante-mortem condemned cattle to the APHIS
19 enhanced surveillance program.

20 To allow interested parties and
21 stakeholders the opportunity to comment on
22 the additional regulatory and policy measures
23 under consideration, FSIS, APHIS and FDA
24 published an advanced notice or advanced
25 notice of proposed rulemaking or ANPR to

1 inform the public about what these agencies
2 plan for keeping BSE out of the United
3 States. Each agency laid out questions to
4 solicit feedback. FSIS specifically sought

5 comments on whether a BSE status should be
6 taken into account when determining whether a
7 country's meat inspection is equivalent to
8 the US regulations including the provisions
9 in the FSIS interim final rules.

10 We accepted comments on the ANBR
11 and the interim final rules until
12 September 13th, 2004. The response was
13 overwhelming and we are carefully reviewing
14 all of the input that we have received.

15 In addition to the more than 22,000
16 comments that we have received to help
17 finalize our BSE rules, we will be reviewing
18 data from the APHIS enhanced BSE surveillance
19 program once it is completed.

20 Additionally, we will review data
21 from the updated Harvard BSE risk assessment
22 that is being revised to evaluate the impact
23 of our interim final rules.

24 However, in the interim, through
25 these rules, the banning of nonambulatory

1 disabled cattle, the removal of specified
2 risk materials, the banning of air-injection
3 stunning in concert with FDA's feed ban and
4 the APHIS surveillance program, FSIS is
5 confident that we have an effective system

6 which protects public health.

7 The single BSE case in the United
8 States led to changes and reevaluations of
9 the food safety system across our country.
10 It also led to an opportunity to build upon
11 the strong partnerships we have with our
12 sister agencies, APHIS and FDA, as well as
13 other organizations. And together we must
14 continue to rely on science based solutions
15 to prevent BSE from affecting animal and
16 public health. I too look forward to the
17 dialogue that we will have today.

18 Thank you very much.

19 MS. PAGE: Panelists will begin our
20 opening remarks with Mr. Dailey.

21 If you would, keep your remarks
22 this morning on the discussion on the topic
23 of animal health and food safety. And if you
24 would be mindful of the monitor that you have
25 and I will keep you on task as well.

1 Mr. Dailey.

2 MR. DAILEY: Thank you, madam moderator,
3 Mr. Secretary and members of the audience. A
4 special apology to those that I have my back
5 to. My name is Fred Dailey, I am director of
6 the Ohio Department of Agriculture and I am

7 representing the National Association of
8 State Departments of Agriculture, which
9 includes all the departments of agriculture
10 in each 50 states and the four US
11 territories.

12 I hasten to say the immediate past
13 president of this association is Gene Hugoson
14 from the Minnesota Department of Agriculture
15 is unable to be with us today.

16 We're regulatory agencies, and a
17 major part of our responsibility has to do
18 with food safety. In our department, over
19 50 percent of resources and time is devoted
20 to food safety.

21 In addition to being director, I'm
22 also a cattle producer, so I know the
23 importance of this.

24 And the message I want to leave you
25 with today is that nothing is more important

1 to us as producers in this industry then
2 consumer confidence in the products we are
3 producing on the farm. Because if people
4 don't believe the product is safe and
5 wholesome and unadulterated, they are not
6 going to consume those products and we fully
7 support using science based policies to make

8 sure that we have the firewalls necessary to
9 prevent anything that would impact food
10 safety.

11 Let me tell you a little bit about
12 some of the things we do at our department,
13 and this is similar to many other
14 departments. We have responsibilities for
15 animal disease control. Most of us have
16 laboratories, most of those laboratories are
17 certified and accredited. In our laboratory
18 last year we collected over 4,000 samples,
19 tissue samples we submitted to Ames, Iowa for
20 BSE. We also implemented a program where we
21 actually paid producers to bring samples in
22 of high-risk animals that might die on the
23 farm and veterinary practitioners to make
24 sure that none of the high-risk animals were
25 falling through the crack.

1 As you heard from the Secretary, we
2 have collected around 370,000 samples
3 nationwide. We have inspectors in all 22
4 weekly livestock options in Ohio. We have
5 close to 300 state-inspected packing plants.
6 We work very closely with FSIS and have
7 inspectors in most plants doing ante-mortem
8 and post-mortem inspection. Even prior to

9 the implementation of the feed ban, we would
10 collect samples back to 1990 of any animal
11 that showed any symptoms of central nervous
12 system disorder.

13 We also do tests for chronic
14 wasting disease and transmissible spongiform
15 encephalopathies on sheep, elk and deer. TSE
16 is a reportable disease in our state. We
17 have an animal disease contingency plan so
18 that we can -- we had plans that we test
19 tabletop exercises, food exercises which
20 include BSE, hoof and mouth disease and other
21 things. We have all the authorities
22 necessary to act. In many cases, we are an
23 extension of the USDA. We have quarantine
24 authority, we have authority to -- for
25 destruction orders. We recently installed in

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1 our lab, an alkaline hydrolysis unit so we
2 can properly dispose of any infectious tissue
3 that we might have.

4 MS. PAGE: Thank you. Mr. Nalivka.

5 MR. NALIVKA: Good morning. Thank you,
6 madam moderator and Mr. Secretary.

7 Good morning. I'm pleased to have
8 the opportunity to participate on this panel
9 today to present the views of the National

10 Meat Association, an organization which I
11 have advised over the past decade. I've been
12 involved in the beef industry for over 30
13 years with the past 20 years spent analyzing
14 the dynamics of the industry in advising
15 packers, processors, ranchers, restaurants
16 banks and investment firms.

17 I have a deep appreciation for the
18 matter at hand today. While I am especially
19 concerned about the economic harm caused by
20 the closure of the US border to healthy, live
21 cattle to NMA members, I am also concerned
22 about the likelihood of economic harm to US
23 cattlemen.

24 First I want to emphasize that NMA
25 respects and supports the careful thorough

1 scientific evaluation and analysis underlying
2 USDA's final rule that allows for the
3 resumption of imports of healthy live cattle
4 from Canada. Unfortunately USDA has been
5 prevented from implementing the rule and this
6 has caused the closure of some of the
7 medium-sized slaughter plants in the United
8 States. And furthermore is leading to
9 significant restructure of the industry on
10 both sides of the border. I will address

11 these economics issues in the afternoon
12 session.

13 The small and mid-sized and even
14 some large beef packers that belong to the
15 National Meat Association have gone to
16 extraordinary lengths to work closely with
17 USDA's Food Safety Inspection Service in
18 order to implement -- excuse me, in order to
19 meet the letter and the spirit of emergency
20 regulations implemented January of 2004, the
21 regulations that ensure the removal during
22 processing of specified risk materials, the
23 parts of the animal that would carry
24 infectivity if the animal were to be infected
25 with BSE. These parts are to be removed

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1 during processing and do not enter the food
2 chain and this removal is done at the USDA's
3 oversight.

4 It may not be commonly known by
5 American consumers that every animal that
6 enters the food chain is subject to USDA
7 inspection, not only before it enters the
8 facility but also several times during the
9 processing procedure.

10 Indeed in all US meat packing
11 plants there are many USDA inspectors

12 carrying out this responsibility and they
13 work at designated points on the processing
14 line under the oversight of a USDA
15 veterinarian. This ensures that regulatory
16 requirements including those which
17 specifically relate to BSE firewalls are met.

18 Beef packers have worked closely
19 with USDA to support the BSE surveillance
20 testing programs that has now tested about
21 375,000 target animals for BSE since June 1st
22 of 2004. Animals which are visibly impaired
23 even by an obvious cause such as a broken leg
24 are not only ineligible to enter the food
25 supply but are individually tested.

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1 The national origin of cattle -- US
2 packers are every bit as capable as Canadian
3 slaughterers to ensure the removal of
4 specified risk materials and comply with
5 other regulatory requirements which maintain
6 the firewall against the spread of BSE. The
7 national origin of the cattle they process
8 makes no difference to the quality and
9 integrity of the workmanship or to USDA's
10 level of oversight.

11 MS. PAGE: Thank you, sir.

12 Mr. Bullard.
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13 MR. BULLARD: Thank you, madam
14 moderator.
15 Mr. Secretary, members of the
16 audience, pleasure to be here today.
17 My name is Bill Bullard. I
18 represent R-CALF USA consisting of 18,000
19 independent cattle producers across the
20 United States who clearly understand that the
21 long-term viability of our industry is
22 dependant completely upon our ability and our
23 commitment to maintain the highest health and
24 safety standards for both our U.S cattle herd
25 as well as for consumers.

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1 I agree with what the distinguished
2 members of the USDA said at the beginning of
3 this panel, and that is that there is known a
4 scientific framework, a series of
5 interlocking, overlapping risk mitigation
6 measures that have been proven to reduce the
7 incidence of BSE.

8 Well, ladies and gentlemen, there
9 is no proof. There is no scientific
10 evidence. There is no laboratory or research
11 evidence that suggests that these risk
12 mitigation measures are effective and
13 sufficient.

14 We know BSE exists in Canada. We
15 have the scientific knowledge to begin
16 containing the disease in Canada. But if we
17 look at the risk mitigation measures
18 recommended by USDA, they are inadequate and
19 they are deficient when compared to every
20 other country in the world, there includes 22
21 of them, that are also combating BSE. The
22 feed ban, for example, is the identical feed
23 ban adopted by the European Union in 1988.

24 Ladies and gentlemen, we are trying
25 to deal with a 21st century risk using 20th

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1 century technology. We can do better. We
2 must do better. The feed ban needs to be
3 strengthened. The USDA's own transmissible
4 spongiform encephalopathy working group
5 recommended a significant strengthening of
6 the feed ban. Remove SRMs, remove blood and
7 poultry litter and plate waste and process
8 that feed in segregated feed mills so as to
9 prevent cross-contamination.

10 Surveillance, the scientists of the
11 TSE working group, the scientists of the
12 international review team, USDA's own
13 scientists all recommend there must be a
14 greater level of surveillance in order to

15 monitor the efficacy of the mitigation
16 measures that have been put in place.

17 Respected US scientist
18 Dr. Linda Detwiler, Dr. Paul Brown,
19 Dr. Bob Rohwer who have all worked in the
20 field of BSEs for over two decades have
21 indicated in comments to the FDA in August of
22 2004 and made the following statement: We in
23 North America could do this experiment all
24 over again, waiting for each new warning
25 before adding more stringency to our control

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1 measures, or we can benefit from the British
2 experience and take decisive measures now to
3 arrest any further development of the
4 underlying epidemic that is implicit in the
5 first two case of BSE. Ladies and gentlemen,
6 there have been two more.

7 Thank you.

8 MS. PAGE: Thank you. Ms. Ludlum.

9 MS. LUDLUM: Good morning, distinguished
10 guests, Mr. Secretary, thank you for the
11 opportunity to be here this morning. I'm
12 pleased to represent the American Farm Bureau
13 Federation and to share our views on the
14 health of the American cattle herd and the
15 safety of the North American beef supply.

16 The US produces the whole's safest,
17 most wholesome beef supply. Thanks to the
18 partnership efforts of the producers,
19 processors and USDA, we can assure our
20 customers both here and abroad they can
21 safely enjoy US beef. Our consumers
22 understand and appreciate these facts as
23 evidence by a recent survey which found that
24 more than 90 percent of American consumers
25 believe USDA beef is the safest in the world.

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1 US consumers can rightfully
2 maintain their confidence in our beef supply
3 thanks to several firewalls implemented to
4 ensure that there is never a BSE epidemic in
5 North America.

6 These firewalls have been in place
7 for several years. And following the
8 December 2003 case of BSE discovered in
9 Washington State, USDA and FDA further
10 enhanced existing BSE safeguards. The
11 effectiveness of these actions in
12 safeguarding animal health is evidenced by
13 the finding that no additional BSE cases
14 despite having tested a population of more
15 than 375,000 animals over the last 12 months.
16 The firewalls, particularly SRM removal, are

17 similarly effective in preventing the spread
18 of BSE to humans in the form of vCJD. To put
19 the human risk of BSE or the lack thereof in
20 perspective, it's important to note that in
21 2003 not a single American died of vCJD,
22 while in contrast automobile fatalities
23 accounted for 42,643 deaths. So the actual
24 risk of BSE to the food supply is less than
25 minuscule even when compared to the normal,

1 routine risks to which we expose ourselves
2 every day.
3 The safety of cattle health and the
4 beef supply extends throughout the North
5 American market. Like the US actions
6 previously described, Canada has BSE
7 firewalls that are similar in design,
8 implementation and enforcement. This fact is
9 particularly relevant in light of Canada's
10 application for minimal-risk status under the
11 new criteria proposed by USDA. Given the
12 virtually identical BSE prevention systems in
13 place in both the US and Canada and their
14 compliance with recommendations from the OIE
15 coupled with the demonstrated extremely low
16 prevalence of BSE in both countries, AFBF
17 strongly supports the designation of Canada

18 as a BSE minimal -risk region.
19 At the AFBF annual meeting in
20 January, the Farm Bureau members from across
21 the country adopted policies to support
22 science based trade in this situation
23 specifically, and also with regard to general
24 trade rules affecting all agricultural
25 products. Based on a thorough review of the

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1 effectiveness of Canada's BSE safeguards,
2 there is no scientific justification for
3 keeping the Canadian border closed.
4 Therefore we believe that limited live cattle
5 trade proposed in the January 4th USDA rule
6 should resume as soon as possible.

7 Again, we would like to thank the
8 USDA for the opportunity to participate in
9 this discussion. We thank our fellow
10 participants for their insight and we look
11 forward to the discussion.

12 Thank you.

13 MS. PAGE: Mr. Johns.

14 MR. JOHN: Thank you. Invited guests,
15 Mr. Secretary, I appreciate the opportunity
16 to address you. I am Mike John. I am a beef
17 producer from southern Missouri. I've been
18 an NCBA member for 25 years, and I am now --

19 have the honor of being their
20 president-elect. If it affects cattlemen's
21 ability to work on the ranch or pass along
22 their land onto future generations, we've
23 been there.

24 We're the only cattlemen's group
25 that has worked on this issue since the

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1 mid-1980s. We've represented cattlemen for
2 more than 100 years. For 25,000 individual
3 independent members that renew their
4 membership contribution annually and our
5 government structure allows for affiliate
6 members to stay and brief affiliates to join
7 and they represent 250,000 other members
8 spread out throughout the country.
9 93 percent of our membership is made up of
10 cattle producers. Our cattlemen believe the
11 current and future success of the industry
12 depends on us working with the rest of the
13 beef supply chain to produce a safe and
14 wholesome and delicious product that meets
15 consumers' demand creating the highest level
16 of consumer confidence in the agency for some
17 time.

18 Our shared goal should be to be a
19 model for global beef trade based on sound

20 science. The United States is the global
21 brand name for high-quality beef. We are a
22 nation that meets consumer demand for beef
23 better than anywhere else in the world. This
24 nation's economy and specifically America's
25 beef producers benefit from access to the

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1 world market.

2 The progressive efforts taken
3 almost 20 years ago are an example of the
4 solid background of the BSE knowledge we
5 hold. The cattlemen called for the feed ban
6 in 1996 and a year later the FDA banned
7 feeding ruminant-derived protein to cattle.
8 Like I said earlier, this eight-year-old feed
9 ban is designed to make the break the cycle
10 of BSE and assures the disease will be
11 eliminated.

12 The USDA mandates the removal of
13 specific risk materials from cattle which is
14 considered the single-most important public
15 health firewall against BSE.

16 The United States has had a
17 surveillance program that has met or exceeded
18 OIE standards for 15 years. More than
19 375,000 cattle have been tested since June 1
20 of 2004 with no cases of BSE. Cattlemen

21 played a role in making this possible.
22 Bottom line, the multiple firewall approach
23 ensures this diminishing disease has no
24 affect on public or animal health.
25 We know a lot about this disease.

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1 The import ban was created back in 1989 when
2 we first were learning about BSE. At that
3 time we didn't know how the disease was
4 spread and the prudent way to manage it at
5 the time was to institute this measure.
6 We know a lot more today. We know
7 that feed is the vector. And based directly
8 from the UK's experience with BSE, we know
9 the feed ban works. We also know the feed
10 ban breaks the cycle of BSE and the FDA
11 currently reports feed ban compliance exceeds
12 99 percent.

13 Thank you.

14 MS. PAGE: Mr. Sjodin.

15 MR. SJODIN: Well, thank you,
16 Mr. Secretary for coming to Minnesota and
17 holding this roundtable discussion. I'm a
18 cow/calf operator from Cambridge, Minnesota
19 and also vice president of the Minnesota
20 Farmers Union, and I'm happy to be here on
21 behalf of the National Farmers Union today.

22 I'd like to start by recognizing
23 the unfortunate circumstances that have
24 brought us all here today. The four BSE
25 positive Canadian cattle forced our beef

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1 industry to face some serious challenges.
2 Since the first case was discovered in
3 May of 2003, then the Christmas cow in
4 Washington state and two discovered this
5 year, US producers, processors and consumers
6 have been addressing how to best comfort the
7 problem faced with the cattle beef industry.

8 We understand the severe problems
9 it's causing to our friends in Canada and the
10 cattle business. What a tragedy at this time
11 for them. The bold action of the USDA, there
12 is -- for the US beef herd and the beef
13 supply when the Canadian cow was discovered
14 should be congratulated. Now the question
15 becomes: Where do we go from here?

16 We believe this issue needs to be
17 resolved as quickly as possible. However,
18 that does not mean taking economic risks for
19 our health and safety of our cattle industry
20 in the United States and American consumers.

21 The approach to dealing with this
22 issue must ensure the health and safety of

23 our consumers for the United States food
24 customers.
25 Everyone here I'm sure shares the

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1 same goal, which is demanding higher levels
2 of consumers' confidence in our beef supply.
3 We want to restore our export markets and
4 continue ensuring the safety of the United
5 States cattle herd.

6 National Farmers Union does not
7 believe we should be rushing to change
8 science based policies that have served the
9 foundation of our decisions in the past in
10 order to open the borders of our BSE positive
11 countries.

12 We can ensure -- cannot ensure the
13 safety of our cattle herd by accepting
14 [inaudible]. That have not gained control
15 [inaudible]. This has clearly demonstrated
16 the fact that Canada's latest discovery came
17 in 2/05 which was born after the
18 ruminant-to-ruminant feed ban was instituted
19 in Canada.

20 MS. PAGE: Thank you.

21 Mr. Kuehne.

22 MR. KUEHNE: Good morning,

23 Mr. Secretary, I appreciate the opportunity

24 to participate in this important roundtable.
25 I'm the owner and CEO of American Foods

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1 Group, a beef packing company headquartered
2 in Green Bay, Wisconsin, and I'm here
3 representing the American Meat Institute and
4 the US meat packing industry.

5 With regard to the safety of North
6 American beef, one fact is irrefutable, that
7 BSE effective agent has never, and I repeat,
8 never been found in any beef anywhere in the
9 world.

10 Scientific experts around the world
11 all agree that the most effective method to
12 protect public health is to remove the SRMs
13 from the food supply. SRM removal prevents
14 human exposure to the possibly infectious
15 agents. Without exposure, there is no human
16 illness.

17 SRMs have been and are removed from
18 all cattle in both the United States and
19 Canada. Our beef and all beef is safe. When
20 attempting to understand our current
21 circumstances, a look at history is helpful.
22 BSE was first discovered in England in 1986.
23 In total, more than 180,000 cases of BSE have
24 been diagnosed in the entire world. More

25 than 95 percent of these cases have been
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1 discovered in the United Kingdom.

2 The epidemic feat in 1992 when
3 36,000 cases were diagnosed, as illustrated
4 by this chart (indicating), the epidemic
5 existed in the early '90s and is, in fact,
6 drawing to a close.

7 Let's look at the United States and
8 Canada. In total, four BSE cases have been
9 diagnosed in Canada; ever, four cases. And
10 one case of Canadian origin has been
11 diagnosed in the United States.

12 During the testing period that has
13 been discussed by many panel members, I would
14 indicate and tell you, as it's been stated,
15 no, and I repeat, no BSE cases have been
16 diagnosed during this USDA testing period.

17 The United States and Canada have
18 tested similar percentages of this cattle.
19 Clearly North America is not Europe.

20 Unfortunately in the late '80s and
21 early '90s, British and European citizen were
22 exposed to massive doses of infectious
23 agents. As a result, 158 cases of human
24 illness worldwide has been attributed to the
25 BSE agent since the discovery of BSE in 1986,

1 a total of 158 cases throughout the world.

2 There has never been a case of
3 Variant Creutzfeldt-Jakob's disease reported
4 in a USDA or Canadian citizen, clearly North
5 America is not Europe.

6 MS. PAGE: Thank you.

7 Mr. Adams.

8 MR. ADAMS: Mr. Secretary, ladies and
9 gentlemen, on behalf of the 50,000 dairy
10 farmers and 32 cooperative members of the
11 National Milk Producing Federation, it's a
12 pleasure to be here and participate in this
13 discussion, a very important discussion. And
14 I will assure you that a number of us in the
15 dairy industry were not aware of where Osage,
16 Iowa was, but we will be trying to --

17 (Laughter.)

18 MR. ADAMS: The number 1 objective of
19 National Milk Producers has been to maintain
20 a BSE-free cattle population in the US. We
21 believe very strongly that USDA should
22 continue your ongoing efforts to open
23 international markets for our beef and beef
24 products. We believe very firmly that can
25 only be done on a sound scientific basis.

1 Therefore we continue to support those BSE
2 risk mitigation based initiatives which you
3 have now been conducting. Collectively we
4 believe they provide a very strong basis to
5 be able to assure the American public and
6 international customers that our US beef and
7 beef products are among the safest products
8 in the world.

9 We continue to urge USDA to be
10 ready to strongly enforce those additional
11 post-entry requirements that are outlined in
12 the minimal-risk rule and if and when that
13 rule is enacted.

14 I'm not going to elaborate all of
15 those post-entry requirements. We have
16 prepared a statement which we have passed out
17 to you all, and I would ask that that
18 statement be included in the hearing record
19 or in this discussion record.

20 We are particularly concerned,
21 Mr. Secretary, that if the MMR is imposed
22 without adequate enforcement of these
23 post-entry requirements, this could be a way
24 for some unscrupulous people to import dairy
25 feeding replacement animals. And we are very

1 concerned about this. We applaud USDA for
2 greatly strengthening the original proposed
3 rule with these post-entry requirements.

4 Based on the research that now
5 provides a scientific basis to understand how
6 to prevent the spread of BSE and what issues
7 are most likely to harbor the infective
8 agent, a defined series of equivalent risk
9 mitigation majors have been implemented in
10 both the US and Canada. An [inaudible] has
11 outlined an effective set of risk mitigation
12 majors that if properly enforced will protect
13 the US dairy herd from entry of BSE from
14 Canada.

15 We also believe the USDA should
16 proceed with implementation of the MMR rule
17 prior to any consideration for opening the
18 border for dairy replacement animals bringing
19 in dairy replacement animals or any animals
20 for the breeding purposes raises some other
21 issues. They should be considered under
22 separate and subsequent ruling.

23 Therefore, Mr. Secretary, we
24 continue to applaud your efforts to resolve
25 the remaining obstacles and by that and would

1 [inaudible] the implementation of the MMR
2 rule.

3 Thank you.

4 MS. PAGE: Thank you. Our final
5 panelist. Thank you for your patience.

6 MR. KALUZNY: Mr. Secretary, ladies and
7 gentleman, I'm David Kaluzny, and I represent
8 the National Renderers Association as its
9 vice chairman, and I'm a renderer from
10 Joliet, Illinois.

11 The other NRA as we're called is
12 the international trade association for the
13 industry that safely and efficiently recycles
14 over 52 billion pounds of animal byproducts
15 every year into valuable ingredients for the
16 livestock, pet food, chemical and consumer
17 product industries. NRA fosters the opening
18 and transfer of trade between North American
19 exporters and foreign buyers.

20 Our membership represents more than
21 98 percent of the rendering capacity in both
22 the US and Canada. Because 45 percent of
23 every cow ends up in the renderer's hands,
24 you can see we have a vital interest in the
25 beef industry. As such, the one BSE cow

1 affected the rendering industry in many of
2 the same ways it affected the beef industry.

3 Renderers from the beginning have
4 supported the firewalls in place to prevent
5 the spread of or amplification of BSE if it
6 ever got it here in the first place. In
7 fact, renderers implemented the first step in
8 that firewall keeping ruminant meat and
9 bonemeal out of ruminant rations. And we
10 have nearly a perfect compliance rate with
11 that feed rule.

12 Renderers have worked closely with
13 the USDA from the beginning with their BSE
14 surveillance programs. And in the past year,
15 we have stepped up the program with them and
16 provided over 45 percent of the samples
17 tested by the USDA. We are proud to have
18 done that, and we wish to point out that not
19 finding even one case in over 375,000 samples
20 certainly serves as a confirmation that the
21 risk of BSE in this country is extremely low,
22 as concluded in the Harvard risk assessment
23 study.

24 Of concern to renderers is to move
25 away from the traditional method of dead

1 animal disposal utilizing a renderer. Today
2 alternative methods such as composting,
3 landfilling, burying and dumping in open
4 areas fails to address the human and animal
5 health risk associated with these inadequate
6 treatment methods. The disease pathogens
7 present in these methods are eliminated
8 altogether in the rendering process which
9 renders these tissues pathogen-free.

10 The USDA, the FDA and EPA need to
11 come together and address this disposal
12 situation in the interest of the environment
13 and public health.

14 Tallow, the liquid component
15 produced from the rendering of beef tissue
16 has been declared safe by both the WHO and
17 the OIE. Both have declared that when traded
18 as free of impurities, defined as 0.15
19 maximum insoluble impurities, it should not
20 be restricted for import or export regardless
21 of the BSE status of the exporting countries.
22 Tallow has never been shown to be a vector
23 for transmission of BSE.

24 The NRA supports the reopening of
25 the US/Canadian border. All the science and

1 our own surveillance support such a move
2 immediately. To do otherwise in light of our
3 preaching abroad to other nations to open
4 their borders to our products speaks of
5 disingenuousness at the very least.

6 Thank you very much.

7 MS. PAGE: Thank you. Appreciate you
8 honoring your time. As we move now into an
9 open discussion, you'll notice that you have
10 some indicators in front of you. And
11 Mr. Kuehne has put his up indicating that
12 he'd like to speak. And I'll recognize you
13 in a just a moment, sir.

14 If you would again stay on topic,
15 we will reset the timer. I want very
16 concise, two-minute statements so that,
17 again, we can maximize the information shared
18 here for the audience.

19 Who would like to begin?

20 Mr. Kuehne, did you have yours up?

21 MR. KUEHNE: Someone has to be first.
22 As I listened to my fellow panelists, I heard
23 everyone say that our policies as enunciated
24 by the USDA and the Federal Government must,
25 in fact, be based on science. Our policies

1 must, in fact, be based on pure science, not

2 political science or pseudoscience. We need
3 to look at the facts as they currently exist.
4 The Harvard-Tuskegee risk-assessment study
5 that has been reconfirmed two times has
6 indicated that in this country if we test
7 268,500 animals, we will have a 99 percent
8 certainty that there are fewer than five BSE
9 cases in this entire country.

10 The USDA in the past year has
11 tested over 375,000 animals and has found no
12 BSE cases. Clearly we do not have an
13 epidemic in this country. The level of
14 surveillance that we have imposed upon our
15 industry, our total industry exceeds
16 international standards. The interlocking
17 measures that have been referred to are, in
18 fact, effective.

19 We have no BSE cases discovered in
20 this country. Let's accept the facts that we
21 have. Let's understand that Canada has the
22 same level of protection, the same percentage
23 of testing that occurs in this country and in
24 Canada. And let's understand that BSE is, in
25 fact, on the decline as a result of our

1 Learning from the experiences in Europe. The
2 UK had a very, very difficult situation in

3 the early '90s. Our Government appropriately
4 looked at that situation and responded to the
5 facts.

6 MS. PAGE: Mr. Bullard.

7 MR. BULLARD: Thank you. It's important
8 to note that all of the panelists, without
9 exception, when they talked about the BSE
10 surveillance in the United States and said
11 that we tested 375,000 of the highest-risk
12 population of cattle and we found no cases of
13 BSE, that certainly gives us greater
14 confidence in the fact that the BSE agent
15 does not exist within the US cattle herd.

16 But none of the panelists mentioned
17 the fact that Canada is very different. That
18 with far fewer tests, 70,000 during the
19 comparable period at the most, Canada has
20 discovered multiple cases of the BSE. One of
21 which was born seven months after the feed
22 ban clearly indicating that the feed ban was
23 not put in place, therefore enforced properly
24 since 1997. This is scientific evidence.
25 This is evidence to suggest the feed ban was

1 not sufficient to prevent the amplification
2 of BSE even after the feed ban was put in
3 place.

4 I mentioned earlier the European
5 Union adopted their feed ban in 1988,
6 virtually the same feed ban we have now. But
7 what they found through a series of trial and
8 errors, a series of disappointments because
9 the feed ban did not accomplish the
10 elimination of the disease as quickly as they
11 hoped. They systematically increased and
12 strengthened that feed ban. They banned SRMs
13 from all animal feed, precisely what the FDA
14 is recommending, precisely what we haven't
15 done, precisely what the OIE recommends in
16 even Canada, and Canada has not done this.
17 So Canada has not met the scientific
18 international standards recommended for
19 preventing the further spread of BSE.

20 We need to look at the science.
21 The science is out there. It's telling us
22 what mitigation measures are necessary, and
23 it's telling us that the initial mitigation
24 measures adopted by the European Union were
25 inadequate, and those are precisely the

1 measures we are adopting here.

2 MS. PAGE: Mr. Secretary.

3 SECRETARY JOHANNIS: Yes. If I might ask
4 Dr. DeHaven to come forward, I've got some

5 questions for him.

6 (Laughter.)

7 The public is so apprehensive.

8 (Laughter.)

9 DR. DEHAVEN: Mr. Secretary, this can't
10 be good.

11 SECRETARY JOHANNIS: I want to bring out
12 some facts with some questions. Reference
13 was made to the number of animals tested in
14 Canada and the number of animals tested in
15 the United States. Now, although I can't
16 exactly state numbers, I know that our herd
17 is much larger in the US than it is in
18 Canada.

19 So how do they compare on kind of a
20 percentage basis or a proportionate basis?
21 How is Canada doing in reference to our
22 [inaudible].

23 DR. DEHAVEN: Mr. Secretary, the
24 relevant cattle population is the adult
25 cattle population since this is a disease

1 with an incubation period typically with --
2 between three and eight years of age. So
3 when we compare, we should be comparing
4 relative numbers of the adult cattle
5 population. In the US it's approximately

6 45 million, and if I'm not mistaken, in
7 Canada it's about five and a half million.
8 So it is a one-to-ten, one-to-nine ratio.

9 If you look at the number of cattle
10 in that high-risk group that is being tested
11 in the United States and compare that to the
12 same population of cattle that's being tested
13 in Canada, as a percentage of adult cattle
14 population, Canada has tested actually more
15 than we are.

16 SECRETARY JOHANNIS: Second question I
17 had that references results made to one of
18 these animals being born after the feed ban
19 in Canada. Now, if I understand the facts
20 correctly, the feed ban put in place now some
21 seven or eight years ago was not a recall, is
22 that correct?

23 DR. DEHAVEN: That's exactly correct,
24 Mr. Secretary. If there was feed on a farm
25 or other premises, it was not subject to a

1 recall. The feed ban said from that point
2 forward no feed would be produced for
3 purposes of feeding ruminants that contained
4 ruminant protein.

5 SECRETARY JOHANNIS: And my understanding
6 is that Canada put its feed ban in place on

7 the same day the US did.
8 DR. DEHAVEN: May not have been the same
9 day, but certainly the same month, August
10 of '97.
11 SECRETARY JOHANNS: Okay. And same
12 situation in both countries, it was not a
13 recall?
14 DR. DEHAVEN: Correct. That is correct.
15 SECRETARY JOHANNS: So they basically
16 followed what we did.
17 DR. DEHAVEN: We've have a very, very
18 similar feed ban that's in place with
19 ruminants at essentially the same time.
20 SECRETARY JOHANNS: Are there instances
21 of stricter requirements relative to the feed
22 ban in Canada versus the United States or are
23 they similar?
24 DR. DEHAVEN: They are very, very
25 similar, with a few minor exceptions as had

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1 been mentioned this morning. There are
2 exceptions in the United States feed ban
3 where we allow plate waste in dead products
4 of poultry litter to be included in ruminant
5 feed. So the Canadians don't have that same
6 exception. They do not allow those products
7 to be in the feed, ruminant feed.

8 SECRETARY JOHANN: I hate to do this,
9 but can I just ask one or two more questions?
10 (Laughter.)
11 MS. PAGE: Mr. Secretary, with all due
12 respect.
13 SECRETARY JOHANN: I just wanted to
14 ask.
15 MS. PAGE: A number of your peers have
16 indicated they want to speak.
17 Mr. Kaluzny.
18 MR. KALUZYNY: We've heard a number of
19 references today to the European Union. And
20 I think we've got to point out a couple of
21 things and the major differences between the
22 conglomeration of countries that make up the
23 European Union and the United States, which
24 is one country.
25 The European Union did put their

1 feed ban in place quite early; however, the
2 European Union does not have a United States
3 Department of Agriculture or an equivalent
4 thereto. And it does not have an FDA either.
5 Hence, we know very well at this point in
6 time that enforcement of their feed ban was
7 extremely loose to almost not existent in the
8 very beginning, hence you did not see a

9 decline taking place in the number of cattle
10 reported with BSE at that point in time.

11 It wasn't until much, much later,
12 in fact, after BSE had spread to other
13 European countries as a result of the
14 non-enforcement of a feed ban. And prior to
15 that, the shipment of bonemeal to other
16 European countries from Great Britain that
17 the enforcement finally took place.

18 So we shouldn't be comparing
19 ourselves to their experience, but we ought
20 to be comparing ourselves to our own
21 experience here in this country and how early
22 the entire cycle has been received after it
23 was -- after it was found that the United
24 States put in place the firewalls that we
25 have now and include with them and obviously

1 after testing all these cattle pretty much
2 proved it worked.

3 MS. PAGE: Mr. Johns, I believe you were
4 next.

5 MR. JOHNS: Throughout this debate there
6 have been different scientists, different
7 scientific bodies, either quoted differently
8 or analyzed where people come to different
9 conclusions. So I think the questions of the

10 science based and the science that we use to
11 make the decisions needs to be based on who
12 do you trust? I'm not one of those
13 scientists, so I'm not sure I can answer that
14 question to you as far as the validity of the
15 science. But what I can tell you is that the
16 American producers depend on the health of
17 our herd is based on trust of the USDA and
18 their agencies to keep the health of that
19 herd intact.

20 I can also tell you that the
21 surveys that we've done with our consumers
22 that we do on a regular basis indicate that
23 not only do we trust our animal health
24 departments to make correct decisions on our
25 behalf [inaudible]. But more importantly the

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1 American consumer definitely trusts the USDA
2 in its direct relationship with the
3 Government and believes that they are
4 protecting their health.

5 Also as part of the basic trust
6 component, those surveys also shows that
7 American producers or consumers definitely
8 trust US producers.

9 MS. PAGE: I have Ms. Ludlum and then
10 Mr. Dailey and Mr. Bullard.

11 MS. LUDLUM: Thank you. I'd like to
12 follow up on the comments made by Mr. Kuehne
13 about the agreement between all the panelists
14 that regulations must be based on sound
15 science and that trade must be based on
16 science based regulations.

17 I think that it's important to note
18 that the USDA's current BSE import
19 restriction policy is based on the science --
20 is based on a policy that was put into place
21 almost roughly 15 years ago following the BSE
22 experience in Europe. And so we've learned a
23 lot about the disease over these last 20
24 years of looking at the European experience,
25 having experts from Harvard conduct a BSE

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1 risk assessment here, looking at the results
2 of the international review team that was
3 here just in the last year or so. And it's
4 important to consider all of their findings
5 and consider whether we should updated our
6 regulations based on those findings.

7 With that in mind, the body of
8 knowledge that we have about BSE is much
9 greater now, and so it's very appropriate
10 that USDA would consider some things such as
11 the minimal -risk rule based on those recent

12 scientific understanding of the disease.

13 We've seen a validation of that
14 recently with the OIE in revising its own
15 guidelines for BSE risk categories and the
16 trade restrictions that go along with the
17 risk categories.

18 So I would like to thank USDA,
19 Mr. Johanns and your predecessor for your
20 leadership in updating those regulations.
21 And I think that as we think about science
22 based regulations, it's important to remember
23 that those regulations do need to be updated
24 periodically to reflect the most recent
25 science so that we're not basing our trade

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1 policies on scientific knowledge that isn't
2 updated.

3 MR. DAILEY: I'd like to take the time
4 to go back to the feed ban for just a second.
5 Any time a new rule is implemented oftentimes
6 there's slippage. The rules are only as good
7 as the integrity of the regulatory programs.

8 Back in 1997 we sent four
9 inspectors of our commission, FDA agents out
10 to all 622 of our feed mills. We found 15
11 violations that year. Each year we found
12 less violations, and in each case when there

13 were violations, the product was embargoed
14 and destroyed. Last year we found one
15 violation, and that product was taken to a
16 landfill and destroyed. Twice during that
17 period of time we found where a product had
18 been fed to livestock, it was traced to the
19 livestock, those livestock were destroyed and
20 buried on those farms.

21 So I think we have a lot of
22 integrity in our regulatory programs. If you
23 could factor that rule back to 1997, we might
24 have implemented it a little bit different
25 today than what we did then. But admittedly

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1 there was some product that was in the
2 pipeline and it took a few months to go
3 through that.

4 MS. PAGE: Thank you. Mr. Bullard.

5 MR. BULLARD: Thank you. R-CALF has
6 been very concerned about the inconsistency
7 regarding the application and the use of the
8 word "sound science." As Dr. DeHaven said,
9 Canada is, in fact, testing approximately the
10 same percentage of cattle as the United
11 States; however, as every other country in
12 the world has learned, once they identified
13 an indigenous case of BSE, the purpose of

14 testing changes. No longer is it simply for
15 the purpose of determining whether or not you
16 have prevalence, now you must determine
17 whether or not the disease is waning or
18 advancing.

19 The only way to know that is to
20 embark upon a comprehensive wide-spread
21 testing program, precisely why every other
22 country in the world that is affected with
23 BSE has implemented a mandatory testing
24 program for at least all high-risk cattle so
25 that they can monitor the effectiveness of

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1 their mitigation measures.

2 It's interesting that when it
3 appears to promote or support the position of
4 operating on assumptions, we use the European
5 Union example. But then when we use the
6 European Union example for the science, we
7 back away from it, says: Well, that doesn't
8 apply to the United States.

9 We, in fact, use the European
10 example to say: It appears that the
11 incubation period of BSE is increasing. From
12 2001 to 2004 it has increased from 86 months
13 to 108 months, therefore a 30-month rule is a
14 solid, science based rule, and we can assume

15 that cattle under 30 months from Canada would
16 pose little to no risk; however, the average
17 age of the four cases of BSE detected in
18 Canada is only 83 months. That means the
19 incubation period is likely less than when
20 the baseline was started in 2001.

21 Again, the science is out there.
22 The science tells us. Experience tells us
23 that the most comprehensive measures are the
24 appropriate measures to eliminate and contain
25 this disease.

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1 Thank you.

2 MS. PAGE: Mr. Sjodin.

3 MR. SJODIN: Well, thank you.

4 Mr. Secretary, we appreciate your efforts
5 working with these other countries that are
6 now not buying our meat, and I'm certain that
7 that continued effort is going to have great
8 results.

9 Our membership, of course that's
10 what they are concerned about. We don't want
11 to lose our marketing programs to these good
12 countries who have been our friends for
13 years. And until we get them satisfied and
14 start importing our product, our membership
15 is supporting opening the Canadian border.

16 MS. PAGE: Mr. Secretary.

17 SECRETARY JOHANN: I've learned how to
18 take my turn. If I could have Dr. DeHaven
19 come back.

20 (Laughter.)

21 SECRETARY JOHANN: The minimal-risk
22 rule for Canada relates to live animals under
23 30 months. And because of the change made
24 when I arrived as secretary now relates to
25 meat products from animals under 30 months.

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1 Let me just ask you: How would it be
2 possible -- under those constraints, how
3 would it be possible for an animal coming
4 from Canada or meat coming from Canada to
5 somehow infect another animal in the United
6 States? Is that possible?

7 DR. DEHAVEN: Anything is possible,
8 Mr. Secretary. But I think the likelihood of
9 that is so remote that we wouldn't be able to
10 measure the risk it would be so minuscule.

11 I think we can go back to the
12 recent change at the OIE where they are
13 recognizing adding to the list of no-risk
14 products, products that can be saved --
15 traded safely regardless of the status of the
16 country of origin, they have added to that

17 list meat from animals under 30 months of
18 age.

19 So the scientific body of evidence
20 would suggest that the kinds of products that
21 we are talking about importing from Canada
22 would represent no risk.

23 The animals, of course, once they
24 came to the United States and were
25 slaughtered would be subjected to the same

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1 safeguards that we have in place here as well
2 as in Canada, most notably SRM removal.

3 SECRETARY JOHANNIS: The nature of BSE is
4 that -- just to use kind of a crude example,
5 BSE is not transmitted by one animal sneezing
6 on another one like I would transmit a cold
7 to you?

8 DR. DEHAVEN: That is correct. It's not
9 transmitted by casual contact.

10 SECRETARY JOHANNIS: Right. It's the
11 ruminant-to-ruminant feed issue that is the
12 issue.

13 When we talk about human safety,
14 what is the significance, again, of removal
15 of SRMs in the 30-month rule?

16 DR. DEHAVEN: There is a safety factor
17 involved --

18 MS. PAGE: Very quickly.

19 DR. DEHAVEN: The safety factor is that
20 SRMs -- there are certain tissues in the
21 animal where the infectious agent has a
22 prevalence to be found. It also has a
23 temporal prevalence in that it only appears
24 in those tissues just shortly before the
25 animal exhibits clinical signs and then

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1 progresses to death. Typically that age is
2 somewhere in excess of five to six years. By
3 having the safety factor, cutting that in
4 half with 30 months, in fact, we have not
5 only a safety factor in terms of what
6 products are allowed, but also the age
7 relationship. And even if the animal were
8 infected, you are talking about an animal
9 that would not represent a public health risk
10 because it's well under that incubation
11 period.

12 MS. PAGE: Thank you.

13 Mr. Nalivka, you were next. Would
14 you keep your sign up, though, until I do
15 call your name.

16 Thank you.

17 MR. NALIVKA: I want to make kind of a
18 real very brief statement. As we talk about

19 this and I'm sitting here thinking there is
20 two very important subjects or two very
21 important issues that come out of this since
22 arrival of BSE and one of them is consumer
23 trust, and ultimately that leads to the
24 economic welfare of the entire industry.

25 And so far this BSE issue, at least

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1 over the last, probably last two years has
2 somewhat stayed off the radar screen with
3 regard to consumers. But I guess my question
4 is: I wonder how long we can continue to
5 banter this about in the industry off the
6 radar screen before it gets on to the radar
7 screen and begins to affect consumer trust
8 and ultimately the welfare of the industry.
9 It's kind of bothersome.

10 We can sit here and force this
11 issue until we finally say to consumers,
12 we've been debating this for four or five
13 years, we all believe the science and we're
14 going to continue to sit around and debate
15 it. And ultimately somebody is going to say,
16 you know, folks, they really don't know what
17 they are talking about.

18 I do a lot of work with the
19 restaurants and one of the main questions I

20 get from restaurant clients day in and day
21 out and every time there is something that
22 happens with BSE, I get a whole mailbox of
23 e-mails from consumers or from restaurants
24 that I do work with. And they are scared of
25 this issue, and they want it to kind of go

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1 away and be handled and dealt with.

2 MS. PAGE: Thank you.

3 Mr. Bullard will be next.

4 MR. BULLARD: The issue of how can live
5 animals imported from a BSE-affected country
6 possibly spread BSE in the country it was
7 imported into or exported to, it has to do
8 with the feed ban which is precisely why the
9 FDA strongly recommended, beginning in
10 January of 2004 that they strengthen that to
11 ban other tissues that they possibly carry
12 BSE, that's the blood, the poultry litter and
13 the plate waste as well as to remove
14 specified risk materials.

15 Dr. Detwiler and the other
16 scientists have clearly said there is a
17 disproportionate effectiveness in removing
18 the 4-D animals, the higher-risk animals from
19 the animal food supply. And so if you are
20 allowing animals in with tissues that are

21 SRMs into the United States and then using
22 that to put in the United States feed supply,
23 you potentially risk the chance of
24 amplification of the disease in this country.

25 The other important thing is the

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1 OIE has specified mitigation measures for
2 this boneless beef that is now added to the
3 list of commodities that can be traded
4 regardless of the risk status.

5 Importantly as we look at what the
6 United States Department of Agriculture is
7 presently requiring, is more stringent
8 risk-mitigation measures on the box beef
9 that's coming from Canada presently than what
10 the final rule will allow. The final rule
11 will actually relax the requirement that this
12 beef be produced in segregated plants.

13 After this new rule goes into
14 effect, the only mitigation measures applied
15 to that beef under 30 months of age is the
16 removal of tonsils and small intestines. The
17 European Union removes the entire intestines
18 from the duodenum to the rectum recognizing
19 that the prions have been detected within the
20 gastrointestinal tract of animals.

21 Science is telling us precisely

22 what to do to take the appropriate
23 risk-mitigation measures so we can resume
24 trade with United States. And we need to
25 begin working in that direction.

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1 MS. PAGE: Thank you.

2 Mr. Kuehne.

3 MR. KUEHNE: The Secretary needs more
4 time.

5 (Laughter.)

6 MS. PAGE: We have the indicator.

7 MR. KUEHNE: The issue of wide-spread
8 testing has been brought forward. There is
9 no credible scientist in the United States,
10 in Europe, Japan or the world that believes
11 that it is necessary to test every animal.
12 The OIE standards do not require it. Even
13 Japan, with their particular situations, has
14 had extensive review over the past several
15 years and has conceded it is not necessary to
16 test all and every animal.

17 We have to look at who are, in
18 fact, the credible scientists. Dr. Drake and
19 Joshua Cohen are from the Harvard Center for
20 Risk Analysis at the Harvard School of Public
21 Health. In my opinion, I don't think it gets
22 much better than that. They have reviewed

23 the Harvard-Tuskegee study several times and
24 have clearly concluded and set forth the
25 necessary measures to prevent the spread of

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1 BSE, to protect not only animals, but protect
2 public health.

3 We cannot expect a country to
4 accept our products on the basis that we say
5 we should accept or we should have them
6 accept our products if we don't accept
7 products from Canada under the same
8 circumstances.

9 We do, in fact, need to be
10 consistent. The only way we can be
11 consistent and regain our world trade is to
12 open up Canada, livestock from Canada, beef
13 from Canada on the same terms and conditions
14 we are asking Japan, Korea and other
15 countries to accept our meat. We need to
16 have consistency and consistency needs to be
17 based on true and sound science.

18 MS. PAGE: Thank you.

19 We do have time for two more
20 speakers. And Mr. John and Kaluzny will
21 close this morning's session.

22 MR. JOHN: Thank you. I just wanted to
23 add to a comment of Mr. Nalivka [inaudible].

24 I'm sorry, John, on consumer demand and the
25 value of that consumer demand.

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1 Just to add on also my previous
2 comment on how important their confidence in
3 our product was, the single quarter period of
4 time where consumer demand for our beef
5 product increased at the greatest level was
6 the first quarter of 2004 which was
7 immediately after BSE was diagnosed in
8 Washington state in December of 2003.

9 So we've done a fabulous job
10 educating our consumers, we -- with this
11 debate -- risks that. I think leaving it to
12 credible scientists and what they have
13 determined makes it obvious what our path
14 needs to be. And I think I just wanted to
15 add that.

16 MS. PAGE: Mr. Kaluzny.

17 MR. KALUZNY: One final comment going
18 back to the science. So far the only proven
19 record of the disease has been beef. If we
20 bring ourselves back to the beef again, I'd
21 like to point out that 99-plus percentage of
22 compliance is the highest compliance of any
23 federal program that has ever existed. It
24 don't get much better than that.

1 remember it's a preventative measure. What
2 we still haven't proven is that we even have
3 the prions in the ruminant meat and bonemeal
4 in the first place.

5 So when you combine the likelihood
6 of that being in there with that high of a
7 compliance rate, you have a very minuscule
8 probability of ever propagating the disease
9 throughout the population.

10 MS. PAGE: Thank you. Mr. Secretary,
11 any remarks before we excuse for lunch?

12 SECRETARY JOHANNIS: No, let's excuse for
13 lunch.

14 (Whereupon, the deposition recessed for
15 lunch.)

16

17 AFTERNOON SESSION

18

19 MS. PAGE: Good afternoon. The topic
20 for this afternoon will be the changing
21 infrastructure of the industry. And to start
22 our panel off this morning, we are going to
23 hear from Dr. Keith Collins, the chief
24 economist, from the Department of
25 Agriculture.

1 DR. COLLINS: Thank you very much. Good
2 morning, Mr. Secretary, the distinguished
3 members of the panel and ladies and gentlemen
4 attending here today and listening.

5 I'd like to thank the Secretary for
6 his inspiration in organizing this forum.
7 I'd also like to thank you for inviting me to
8 begin the discussion of the market and
9 structural implications of BSE by presenting
10 some economic data about what has been
11 happening and what is happening. I believe
12 that should help position us better to lay a
13 foundation for the discussion that will
14 follow.

15 To begin with, let's return back
16 to 2002. That was the last full year that we
17 have data prior to the finding of BSE. In
18 2002 the United States and Canada traded
19 generally freely in cattle and calves and
20 bulls and cows and in beef products.

21 At that time, if you look at this
22 first figure, at that time, cattle numbers
23 had been trending up in Canada.

24 Now, I'm going to show a few
25 figures here, not because I'm trying to put

1 you to sleep after lunch, but I'm hoping it
2 will illustrate my comments. If you don't
3 happen to like the comments and diagrams or
4 you can't see this, don't worry about it.
5 I'm going to make all the points you'll see
6 in the figures. In all of these figures I
7 will use Canadian data as a red line and
8 United States data will be a blue line.

9 As I noted at that time in 2002,
10 Canadian inventory of cattle had been
11 trending up, while in the United States our
12 cattle numbers had been trending down. Up
13 until that point exports in both countries
14 had been growing sharply with Canada much
15 more competitive upon exports than in the
16 United States.

17 In 2002 beef exports were
18 47 percent of Canadian production and only
19 about 9.5 percent of ours.

20 Canada's cattle production exceeded
21 the slaughter capacity, consequently Canada
22 was exporting an average of 1.2 million head
23 of cattle in the United States during 1998
24 to 2002.

25 In May of 2003, Canada discovered

1 BSE and immediately lost its export markets
2 for ruminant-to-ruminant products. With
3 exports accounting for such a large share of
4 their production, cattle prices plunged.

5 If you look at the second figure,
6 that's the red line, you can see during May
7 of 2003, fed steers in Alberta sold for \$77 a
8 hung weight, that's US dollars. But by July,
9 they were down to only \$27 a hung weight, a
10 65 percent decline.

11 As prices dropped, slaughter
12 declined, producers held, you know, back from
13 sending them to slaughter. And with the US
14 border closed, cattle inventories on farms
15 started to rise.

16 The Canadian government initiated
17 multiple billion-dollar financial assistance
18 programs to try to limit the industry's
19 losses.

20 During the summer of 2003, the US
21 imported no ruminant or ruminant products.
22 If you look at figure 3, that shows the US
23 imports of Canadian cattle before BSE and, of
24 course, plunging to zero following the
25 finding of BSE.

1 In the fall of 2003, the US opened
2 its market to the Canadian boneless beef
3 products from animals under 30 months of age.

4 Figure 4 shows the value of beef
5 imports from Canada which plunged during that
6 summer to zero in 2003, which are now back to
7 pre-BSE levels. The resumption of beef
8 exports to the United States and strong
9 consumer demand helped Canadian slaughter and
10 cattle and beef prices begin to recover.
11 That price of recovery continues today. It
12 is, of course, limited by the closure of the
13 US market.

14 Then it was the US turn for market
15 disruption. After the US discovered BSE in
16 Washington state in December of 2003, more
17 than 50 countries suspended imports of US
18 ruminant-to-ruminant products.

19 Despite the export loss, three
20 factors made the US experience very different
21 from the Canadian experience. First of all,
22 beef -- cattle exports -- beef exports
23 accounted for a much smaller proportion of
24 our production in and into Canada.

25 Second, supplies of US cattle were

1 tightened.

2 And third, the Canadian border was
3 closed to imported cattle. As in Canada, our
4 consumer demand for beef was unphased by the
5 finding of BSE in a single cow.

6 US cattle prices fell, but the
7 decline was brief. Prices of fed cattle
8 dropped from about \$85 a hundred weight before
9 Christmas to a low \$73 in early January then
10 rebounded and went on to set a record high in
11 2004 and continued to be strong. No
12 government financial assistance programs have
13 been authorized for cattle producers.

14 Let's now focus on the beef
15 processing sectors in the United States and
16 Canada. With open trade between the United
17 States and Canada in beef from younger
18 animals, US and Canadian meat packers compete
19 with one another in the retail market.
20 Consequently beef prices in the United States
21 and Canada are competitive and similar. But
22 because there is no live cattle trade between
23 the two countries and because Canada has a
24 surplus of live cattle, Canadian meat packers
25 are paying less for cattle than US meat

1 packers and Canadian slaughter has expanded
2 as you can see in figure 5.

3 The US meat packers must compete
4 with one another for this reduced pool of
5 available slaughter cattle at minimum prices.
6 Our packers must also compete against
7 imported Canadian beef. Consequently US meat
8 packing margins have been lower than in
9 Canada and US slaughter is cyclically low as
10 you can see in the blue line, which increases
11 packer's operating costs due to low-capacity
12 utilization.

13 US meat packers that slaughter
14 mostly older age cattle, such as cows, do not
15 face competition from Canadian [inaudible]
16 and processing beef which cannot be imported
17 into the US. However, they face sharply
18 reduced cow supplies.

19 In 2004 US cow slaughter was down
20 15 percent from 2003. Competition for this
21 limited supply of cows has bid up cow prices
22 and also contributed to reduced packer
23 margins.

24 We can compare meat packer's
25 margins in Canada and the United States by

2 the fixed year prices in each country.
3 That's what I've got on figure 6. You can
4 see that in the red lines and blue lines for
5 each country. Now, this ratio rises as a
6 packer gets more for their beef that they're
7 selling compared with what they're paying for
8 their cattle.

9 These ratios are not perfect
10 measures of profits because there's other
11 costs that are involved in slaughter. They
12 give a very good indication of relevant
13 margins for meat packers in the two
14 countries. The figure shows on the left part
15 of that figure that before BSE, the margins
16 for packers in the United States and Canada
17 were the same. But since 2003 the packer
18 margins have been substantially higher in
19 Canada than the United States and are
20 currently running about 25 percent higher
21 than the United States.

22 Economic principles suggest some
23 key adjustments are likely in the US and
24 Canadian cattle industries over time, and if
25 these kinds of conditions persist. And

1 you'll see those two points I want to make on
2 the next figure, figure 7.

3 First adjustment is the longer the
4 border remains closed, the more likely Canada
5 will continue to expand cattle slaughter and
6 beef exports to the United States and
7 ultimately to the rest of the world.

8 Meat packers in Canada can be
9 expected to expand capacity first by adding
10 production hours, then by expanding existing
11 plants and by building new plants. With
12 expanded capacity, Canada will eventually
13 work through the bulk of cattle whose
14 marketing has been delayed due to low cattle
15 prices and the closed border.

16 As their supplies cattle supplies
17 climb below capacity, Canadian cattle prices
18 will rise, the meat packer margins will
19 decline. However, the rising cattle prices
20 will be a further incentive to Canadian
21 cattle producers to expand cattle production.

22 Data to date suggests that these
23 adjustments are underway. The Canadian
24 Government has an announced strategy to
25 increase slaughter capacity. Canadian cattle

1 slaughter rose roughly 25 percent in 2004
2 from its depressed 2003 level, mostly using
3 existing capacity. Federally inspected

4 slaughter in Canada is up another 6 percent
5 year-to-date and several plant expansions
6 have just come on line or are coming on line
7 the rest of this year.

8 The second adjustment is that the
9 record-high US cattle prices in 2004 and the
10 relatively high prices we've seen thus far in
11 2005 combined with an open border for beef
12 from Canada, will likely cause an expansion
13 in US Cattle numbers at the same time US meat
14 packers may be reducing slaughter capacity.

15 US cattle producer returns have
16 been strong, we've seen the return, the good
17 fortune in many areas of the country. So the
18 stage is set for expanded cattle production
19 in the United States. Retaining heifers, the
20 increased herds will reduce the already low
21 levels of available slaughter cattle.
22 Without access to Canadian cattle, US
23 slaughter will remain below capacity forcing
24 some meat packers to curtail their slaughter
25 operations.

1 The data to date suggests these
2 adjustments are under way. Several US plants
3 have periodically reduced operations, laid
4 off workers. Mr. Secretary reported on one

5 that has recently closed. If the current
6 conditions are sustained, permanent closures
7 in the US combined with permanent expansions
8 in Canada would result in Canada increasing
9 its market share of North American beef
10 production and exports.

11 Another possible consequence is
12 that as US cattle producers increase markets
13 over the next few years, there could be fewer
14 US packing plants bidding for more cattle
15 suggesting a buyer's market for meat packets
16 and lower cattle prices.

17 If US packing plants close, some US
18 cattle producers could face higher
19 transportation costs in more distant plants.
20 Plant closures would not necessarily occur
21 along those northern tiered border states.

22 Figure 8 shows the top seven states
23 that import Canadian cattle into the United
24 States prior to the finding of BSE and the
25 percentage of each state's slaughter

1 accounted for by Canadian cattle. Without
2 Canadian cattle, US plants will bid cattle
3 away from one other. The most vulnerable
4 plants to closure will be the less efficient
5 ones that cannot pay to keep the cattle

6 coming in their door.

7 In conclusion, BSE in North America
8 has resulted in two distinct markets for live
9 cattle, but one market for beef. In the
10 short term, US cattle producers are
11 benefitting from the higher prices that would
12 otherwise be the case. But over the longer
13 term, these market imbalances must be worked
14 out by the market and they will be worked out
15 by the market.

16 The continued restriction on
17 Canadian cattle in force provides an
18 incentive to increase beef production and
19 exports from Canada. This has and will put
20 financial pressure on US meat packers and
21 could affect where and at what price US
22 cattle producers will be able to market their
23 cattle. Reopening the Asian markets, the US
24 beef reduced these adverse impacts on US
25 cattle producers, but they still leave Canada

1 a more formidable competitor in four markets
2 in the future.

3 Thank you.

4 MS. PAGE: Thank you, Dr. Collins. For
5 those of you who may be just joining us,
6 we're going to now have a panel discussion.

7 The panelists will begin by giving three
8 minutes of opening statements. We are going
9 to reverse the order and start with
10 Mr. Kaluzny and then we will follow that by
11 an open discussion where panelists will have
12 two minutes to add to their opening comments
13 and questioning of the panelists.

14 With that, let's begin.

15 MR. KALUZYNY: Thank you. Ladies and
16 gentlemen, Mr. Secretary, as I mentioned this
17 morning, the closing of the foreign markets
18 to our beef products also brought the closing
19 of those borders to our rendered products,
20 especially meat and bonemeal. The US
21 rendering industry typically relies on
22 exports for 25 percent of its production.

23 The closing of those markets led to
24 a loss of those sales and a subsequent
25 depression of prices here at home as excess

1 supplies have flooded the market here.

2 Export sales dropped 73 percent
3 in 2004 for a loss of \$100 million. Even the
4 first quarter of this year, exports are still
5 down 64 percent from pre-BSE times. Here at
6 home, supplies are keeping markets depressed
7 from meat, bonemeal and other animal

8 proteins.

9 At the same time, due to the
10 Canadian border remaining closed, the cow
11 kills have dropped here in the US and this
12 has had a direct affect on rendering volumes
13 for both packers and independent renderers.
14 Fewer animal slaughter means fewer pounds of
15 materials to render.

16 Here in Minnesota this has
17 dramatically affected two of the states
18 largest renderers cutting significantly into
19 their production.

20 Economic conditions brought on by
21 the feed rule and the escalating energy
22 prices recently have made it necessary for
23 renderers to charge for dead animal disposal.
24 As a result, the amount of animal byproducts
25 and mortalities that are disposed of without

1 proper safeguards has increased.

2 Animal mortality pickups between
3 1995 to 2000 decreased by 20 percent. Since
4 then there has been another 10 percent loss
5 in dead stock pickups. Altogether this has
6 led to only 40 percent of all mortalities
7 being picked up today, and this represents
8 yet another significant decrease in rendering

9 tonnage and hence lost sales.

10 That says nothing, of course, of
11 the animal and human disease ramifications of
12 unregulated alternate disposal.

13 While the NRA is working with the
14 USDA to reopen the borders with our trade
15 partners for rendered products, we
16 continuously get the fact that we still have
17 a closed border with Canada thrown back at us
18 by other countries. They have a hard time
19 trading with us when we won't even trade with
20 each other in the beef products.

21 Thank you.

22 MS. PAGE: Mr. Adams.

23 MR. ADAMS: Mr. Secretary, ladies and
24 gentleman, the National Milk Producers
25 Federation is unaware of any major economic

1 studies that have been done in terms of
2 direct economic impacts on the dairy
3 industry. But obviously we are impacted with
4 regard to any future loss of markets or as
5 long as loss markets are not recovered. And
6 that's why we have placed a great deal of
7 emphasis on the USDA continuing to open those
8 markets for us.

9 An example was -- and early on when
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10 we had several miscues with regard to the
11 early testing of BSE and the testing program,
12 our [inaudible] prices dropped about four
13 cents per hung weight and obviously that was
14 a major impact on [inaudible] cow prices.

15 We also are concerned about the
16 potential for expansion of the feed ban.
17 Because we rely a great deal on blood plasma
18 products, especially blood plasma products
19 particularly for our [inaudible] control
20 program where we feed those and -- to replace
21 calf slaughter. So we have been very
22 concerned about overall impacts of expanding
23 the feed ban beyond where it is today. Not
24 only in terms of the potential impact on
25 specialty products, but also in terms of the

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1 impact on the rendering industry. As my
2 colleague just mentioned, the loss of pickup
3 of dead I believe he said was around 40
4 percent. That poses a significant impact on
5 the dairy industry because in many states we
6 rely totally on the rendering industry to
7 pick up our deads.

8 Also we have to be very concerned
9 about the potential loss of the packing
10 capacity in the country particularly in our

11 smaller packing plants located in country
12 [inaudible].

13 Any loss of packer capacity in
14 terms of all dairy cows will mean longer
15 transportation costs and greater
16 transportation costs for our producers. So
17 we are very concerned about any market
18 structural changes in regard to packing
19 capacity.

20 MS. PAGE: Thank you. Mr. Kuehne.

21 MR. KUEHNE: Thank you. Good afternoon,
22 Mr. Secretary, members of the audience, our
23 panel.

24 Our industry is in crisis. The
25 embargo against Canadian cattle has placed a

1 huge strain on the US packing industry. The
2 strain has created economic disaster and is
3 forcing plants to close. One mentioned --
4 again, this strain will drive businesses into
5 bankruptcy and require those who survive to
6 consolidate into larger companies.

7 Mr. Collins mentioned that packer
8 margins have been reduced. I can tell you
9 that they have not only been reduced, they
10 have, in fact, been negative. It's been
11 reported by the public companies and every

12 private company I've talked to has stated
13 they are, in fact, losing money and have been
14 losing money for considerable periods of
15 time.

16 You cannot have it both ways. You
17 cannot fight against fair trade and fight
18 against consolidation in the beef packing
19 industry. That is what exactly isolationists
20 are trying to do.

21 You may notice I'm wearing a black
22 wrist ban. It says, "Open beef borders.
23 Com." This is a site set up by the AMI,
24 American Meat Institute, to communicate
25 widely the impact that this closed border

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1 with Canada and our closed export borders is
2 having on our beef packing industry.

3 We chose black because we are
4 mourning our losses. Since 2003 more than
5 6,100 US workers have lost their jobs in the
6 meat packing industry due to layoffs.
7 Federally inspected plants have closed
8 permanently.

9 In 2005 we expect to harvest
10 4 million fewer animals than in 2002.
11 Mr. Collins indicated the economic impact of
12 that on businesses.

13 Reduced hours and wages for packing
14 house workers in all beef packing plants in
15 the United States has occurred. In
16 Wisconsin, my home state, the Secretary of
17 Agriculture of Wisconsin has indicated that
18 34 state inspected meat plants have ceased
19 operating since October of '03.

20 In my own plant even since October
21 or since 2003, the number of employees has
22 decreased 13 percent. Wages paid have
23 decreased 24 percent and cattle harvested
24 have decreased 23 percent. Another company
25 in Minnesota reports a 35 percent payroll

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1 reduction in 2005 compared to 2003.

2 The two-year interruption of the
3 flow of the Canadian cattle and the lack of
4 our exports is causing the disintegration of
5 the US beef packing industry. It is even
6 worse. It has created a new and aggressive
7 powerhouse in the global beef industry.
8 Canada has already increased its plant
9 capacity by 24 percent, and by the end of the
10 year the capacity will have increased
11 50 percent.

12 MS. PAGE: Thank you. I remind you that
13 we do want you to speak into the microphone.

14 You did a nice job, but the rest of the
15 panelists be aware of that.

16 Mr. Sjodin.

17 MR. SJODIN: Thank you. Again,
18 Mr. Secretary, I think we are having a good
19 panel and a good discussion here. It's so
20 important to our nation. As a producer, I
21 look at this issue as a risk-and-reward type
22 of situation. Is the risk of allowing BSE
23 positive countries access to our market worth
24 the reward? It seems to me the risks are far
25 too great and the reward too little.

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1 Before we take a leap of faith, the
2 rewards outweigh the risks. I think we'll
3 have to have the assurance from our trading
4 partners that they will accept that we are
5 trying to help and ensure the US producers
6 and consumers will be safe.

7 When it comes to food safety,
8 economics sometimes has to take a backseat in
9 order to ensure consumer confidence. It's
10 non-negotiable to protect the rights of
11 permanent loss of our largest export markets
12 and consumer confidence in our beef industry.

13 The economic interest of all
14 players and the interest being -- must be

15 looked and addressed not just by the packing
16 industry. The discussions surrounding the
17 Canadian border has been economic downpour
18 for a handful of packers and processors that
19 [inaudible] the USA.

20 Once I've highlighted often this
21 negative economic impact US producers will
22 bear when over 2 million head of cattle flood
23 our markets. Is the USDA willing to steer
24 impacts -- income of our producers to ensure
25 a profit in the packing industry. We believe

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1 we should be working to protect the economic
2 health of the entire industry which includes
3 producers.

4 The first time since I've been
5 farming I've seen sustainable cattle prices
6 that have been profitable, and what's wrong
7 with that. From my perspective, nothing is
8 wrong. It's good for the country. It makes
9 no sense to risk the economic health of
10 producers because Canada is telling us we
11 have to take their cattle or they will build
12 their own processing capacities. What
13 guarantee do the US producers have if we open
14 the border, will multinational companies
15 including Canada and some other country where

16 labor is cheaper.

17 Thank you.

18 MS. PAGE: Mr. John.

19 MR. JOHN: Ladies and gentleman,
20 Mr. Secretary, first of all, I'd like to
21 thank the administration or your -- the
22 Department of Administration for all they've
23 done to reopen the borders we do have open
24 [inaudible]. It remains [inaudible] number
25 one priority and certainly, like you, we

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1 won't rest until we get actually back into
2 those market.

3 While some like to use pseudo
4 science to justify an adulterated
5 protectionism, the economics of beef and
6 cattle trade with Canada and other valuable
7 export markets are straightforward. Since
8 2002 Canadian packing capacity has increased
9 about 10,000 head per week, now approaching
10 90,000 head. In a matter of days, Theissen's
11 will be expanding existing operations in
12 Alberta from 3,800 to 4,700 per day bringing
13 Canada very close to its stated goal of no
14 longer needing the US packing industry and
15 becoming a significant competitor in the
16 world market and an even more efficient

17 producer of beef to the US marketplace. What
18 does this mean for US cattle producers?

19 As a result of this Canadian
20 expansion, the US beef processing industry
21 must shrink starting with higher per head
22 count facilities regardless of their
23 location. This will result in increased US
24 packer concentration.

25 But you can't stop there.

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1 Decreasing US packing capacity also means
2 less demand for cattle from the feed lots
3 upstream which in turn means less demand for
4 calves including those sold at auction barns.

5 And another problem with those
6 founding protections and policies via the BSE
7 issue is that this 10,000 head now being
8 processed in Canada will still come into the
9 US market being on a box rather than on a
10 boat. The obvious end result is the
11 shrinking US cattle industry and increased
12 competition from Canadian beef and
13 third-country export markets that until
14 recently were supplied by the US.

15 Once these US plants and feed lots
16 close, cattlemen will end up with additional
17 freight bases. In many parts of the US, this

18 could be hundreds of miles in increased
19 distance to market, which at today's rates,
20 amounts to about \$3.50 per head for every
21 additional hundred miles. These dollars come
22 directly out of producer's pockets.

23 There are those who claim the
24 border closure is the reason for high US
25 cattle prices. The reality is that we --

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1 multiple factors are actually responsible.

2 First of all, it should be pointed
3 out that the uptrend of cattle prices via
4 declining carryover supplies and feed lots
5 and basic cattle cycle fundamentals actually
6 began in September of 2002 well before any
7 mention of BSE in North America.

8 It should also be noted that
9 all-time record-high cattle prices were
10 reached after the US resumed importing
11 Canadian beef. However, we believe the
12 predominant reason for these prices continues
13 to be the unprecedented increasing consumer
14 demand. The proof behind this is based on
15 the fact that record spending for our product
16 occurred despite record net beef supplies.
17 At the same time of these record cattle
18 prices, record imports have given US

19 producers the smallest share of net US beef
20 supplies in history.

21 The US must not waiver in its
22 historic role of leading the world in dealing
23 with animal health issues such as BSE on
24 scientific basis. The question today is
25 whether those who want to use nonscientific

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1 efforts to further their protection agenda
2 will take responsibility for expanding the
3 Canadian slaughter capacity while US
4 slaughter capacity [beep].

5 MS. PAGE: Thank you.

6 Ms. Ludlum.

7 MS. LUDLUM: Secretary Johanns,
8 Dr. Collins, fellow panelists and invited
9 audience guests, I'm please to be with you
10 this afternoon to share the views of the
11 American Farm Bureau Federation on the
12 economic effects of BSE in the US and the
13 changing infrastructure of the North American
14 beef industry.

15 The discovery of a BSE-infected cow
16 in Washington state in December of 2003
17 resulted in serious disruptions in beef and
18 cattle trade between the US and other beef
19 producing and consuming countries.

20 Immediately more than 60 countries banned
21 importation of US beef. As a result of this
22 reduced market access for US beef, other beef
23 exporters were able to gain global market
24 share that they will not easily relinquish
25 once the US regains access to traditional

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1 trading markets. Having now resumed trade of
2 roughly one-third of the pre-BSE volume, it
3 will likely be several years before US beef
4 is again traded at volumes obtained prior to
5 the discovery of BSE.

6 The presence of BSE has had a
7 significant impact on North American trade,
8 particularly between the US and Canada.
9 Prior to May 2003, Canada was one of the US's
10 strongest trading partners for cattle and
11 beef.

12 Historically American beef
13 processors imported and slaughtered Canadian
14 cattle and marketed the beef. The suspension
15 of Canadian cattle in the course over the
16 past two years has resulted in a slight
17 short-term benefit to US cattle producers in
18 the form of higher-fed cattle prices of
19 approximately \$3 per hung weight.

20 However as domestic supplies and
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21 available slaughtered cattle reach historical
22 lows, we see the number of meat packing
23 plants reduced or temporarily suspend
24 operations resulting in significant economic
25 and job losses in the processing sector.

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1 While the discovery of BSEs resulted in
2 overcapacity in the US beef packing sector,
3 the trade instructions created by the BSE
4 discoveries also resulted in severe
5 over-supply of the cattle in Canada and a
6 lack of available cattle to slaughter.

7 To remedy the situation, Canada has
8 aggressively expanded its cattle slaughter
9 industry. By this time the next year, the
10 Canadian cow industry will be completely
11 self-sufficient. Meaning that it will
12 domestically slaughter all of the cattle it
13 produces. What effect does this have on the
14 US cattle market? It means that Canada will
15 move from being a US cattle supplier to being
16 a competitor in the World beef export market.
17 Additionally, with increased slaughter
18 capacity in Canada, there is a reduced need
19 for capacity in the US and as a result, it is
20 likely that some small- to mid-sized US
21 plants will be forced to close.

22 A reduction of processing
23 facilities leads to reduced market
24 opportunities for cattle particularly within
25 specific regional areas and a reduction in

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1 the number of competitive bidders for this
2 cattle.

3 Fewer available slaughter plants in
4 that region also implies that some cattle
5 will need to be transported further for
6 processing, resulting in increased
7 transportation costs that will most likely be
8 borne by producers.

9 Finally, packing plant closers,
10 whether temporary or permanent, result in
11 lost jobs for individual workers, reduced tax
12 revenues for communities and a loss of
13 population for the affected communities.

14 So the long-term consequences of
15 the disruption of this historical trading
16 relationship between these Canadian/US beef
17 industries are a significant restructuring of
18 the respective processing sectors and the
19 emergence of a significant competitor in the
20 beef market.

21 MS. PAGE: Thank you. Mr. Bullard.

22 MR. BULLARD: Thank you. Ladies and
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23 gentlemen, we sympathize with the Canadian
24 producer and we recognize the structural
25 changes that are occurring within our

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1 industry. We've seen what has happened to
2 entire cattle and beef industries of the
3 nations of the United Kingdom, 17 countries
4 to the European union, Japan, Israel and
5 Canada. And we can't afford to take the same
6 risks, and those risks are both avoidable and
7 unnecessary without first putting in the
8 proper precautions.

9 That's what we should be focused on
10 today, what are the adequate health and
11 safety standards that are absolutely
12 essential to protect the US cattle herd along
13 with US consumers.

14 And if we could just focus on the
15 economic impact of this irrespective of the
16 health and safety implications. Look at the
17 United States cattle industry, it was stated
18 earlier we've been an industry in decline.
19 Since 1996 we have liquidated the US cattle
20 herd at an unprecedented rate. We have
21 reduced the production capacity of the
22 independent US cattle producer. And we have
23 reduced the cattle herd by over 8 million

24 head from 1996 to 2002, now down to about
25 95 million head of cattle. Ladies and

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1 gentlemen, that's a reduction in herd size
2 that is larger than the entire adult herd
3 population in Canada which is 5.5 million.
4 We've reduced our herd by 8 million head.

5 And as a result of this, we have
6 been reducing slaughter in the United States
7 coupled with a depressed industry and
8 widespread drought. Between 2003 and 2004 we
9 dropped slaughter capacity by about
10 2.8 million head. Canada imported in 2002
11 1.5 million head. Therefore, you cannot
12 attribute the higher beef prices and all of
13 these structural changes simply to the border
14 closing.

15 Again, 1.5 million head was
16 imported from Canada, but we actually reduced
17 slaughter in the United States by 2.8 million
18 head. There are a myriad of factors that we
19 need to be looking at in analyzing the impact
20 of this issue.

21 In addition to that, we've asked
22 our economists to look at the opposing
23 impacts of this continued border closures on
24 the one hand you're going to have increased

25 economic output from the slaughterers, those
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1 slaughterers are dependent on Canadian
2 cattle. And on the other hand, as
3 Dr. Collins indicated, as higher cattle
4 prices provide an incentive to rebuild the US
5 cattle herd that promotes economic growth, it
6 promotes increases in capacity of slaughter
7 plants in the United States.

8 And what this study reveals is that
9 the negative impact now being felt by a few
10 packing plants that have become dependant on
11 Canadian cattle for the last 15 years, that
12 negative impact is more than offset by the
13 potential economic gain that our industry
14 will realize as we continue to move forward
15 in protecting the health and safety.

16 MS. PAGE: Thank you. Mr. Nalivka.

17 MR. NALIVKA: Good afternoon, again,
18 Mr. Secretary, panelists and other guests,
19 I'm pleased to have the opportunity to
20 participate on this panel today and present
21 the views of the National Meat Association.

22 Ultimately the campaign to prevent
23 healthy live cattle from entering the US will
24 have an unintended consequences. Those
25 consequences will be to reduce the number of

1 regional, small, mid-sized packing plants in
2 the US leading to further consolidation --
3 and this is, once again, an issue that's been
4 very dear to many cattlemen in this country.

5 The border closure has been
6 particularly difficult on the basis of
7 significantly reduced US cattlemen following
8 9 years of herd liquidation. Everybody
9 before me has spoke of that.

10 Historically in the Pacific
11 Northwest where I live, the import of healthy
12 live cattle from Canada has allowed northwest
13 packers to operate at about 95 percent of
14 capacity. Without those cattle, utilization
15 would be at 65 to 70 percent of capacity.
16 That's an economically unsustainable level.
17 It doesn't matter where the plants are
18 located.

19 As recently as Tuesday, Mickelson
20 announced they are closing a cattle plant in
21 Gering, Nebraska. The available supply of
22 cattle will simply not sustain the plant.
23 Let's stop and think about that for one
24 moment. This announcement isn't just about
25 packing plant closing, it's about the loss of

1 200 jobs that field the economy of that
2 small, rural town in western Nebraska. It's
3 about consolidation of one less plant buying
4 cattle.

5 The impact goes well beyond the
6 plant. It goes right down to the very
7 foundation of the industry of much of rural
8 America, the cattle industry. If Theissen
9 ultimately closes their Boise, Idaho plant
10 permanently, it was closed temporarily in
11 January and February, the situation in
12 Gering, Nebraska will only be repeated in the
13 small, rural town of Kuna, Idaho except now
14 we are talking about more than 600 jobs.

15 Secretary Johanns heard firsthand
16 about the loss of jobs in Hyrum, Utah, the
17 AE Miller packer reduced hours 16 percent and
18 cut 66 jobs at that plant in order to balance
19 supply with capacity. And yet while the US
20 packers facing severe underutilization
21 capacity and the risk posed by future
22 uncertainty surrounding the border made
23 decisions to consolidate overcapacity, the
24 Canadian beef industry is faced with the
25 opposite crisis, two little packer/processor

1 capacity, thus their building capacity.
2 Theissen in Brooks, Alberta just increased
3 its capacity by 24 percent, a sound decision.

4 In fact, since the border was
5 closed to live cattle two years ago, there
6 have been 26 percent increase in Canada's
7 capacity to harvest to process cattle in both
8 large and small plants with utilization
9 running about 95 percent.

10 The economics in capacity leads to
11 adjustments. And these decisions on both
12 sides of the border are occurring as we
13 speak, and they are fundamentally
14 irreversible.

15 MS. PAGE: Thank you. Mr. Dailey.

16 MR. DAILEY: Thank you. Ohio farmers,
17 our nation farmers are very dependant upon
18 the international marketplace. In our state,
19 25 to 30 percent of our total cash receipts
20 comes from the international marketplace.
21 Every other raw soybean is tested to be sold
22 in the foreign market. Cattle are a
23 value-added product that creates more
24 demands, not only for feeder calves, but also
25 for feed grains and porridge as well.

1 We don't believe our trade policy
2 should be protectionists nor do we believe
3 that our health policy should be
4 protectionists, from either side of the
5 border. In fact, we have had concerns about
6 trade policies and health policies that
7 Canada has as far as plasmosis and blue
8 tongue and have restricted our access to that
9 market in the past.

10 In Ohio the cattle industry,
11 livestock industry is a million dollar
12 industry. Trade is a wealth enhancer. And
13 when BSE was discovered in Washington, it did
14 irreparable damage to the carefully
15 cultivated market. We lost about \$4.8
16 billion worth of exports. It will take us a
17 long time to get those back.

18 We lost markets not only for beef
19 but also for feeder cattle as well. We were
20 in the process of negotiating [inaudible]
21 product to Israel for shipment of the feeder
22 cattle to Israel. The Israelis have said:
23 Until you come up with a national livestock
24 ID program, it's going to be very difficult
25 for us to negotiate these sort of protocols.

1 We need to get on with having a national
2 livestock ID program. Most states are going
3 to their legislatures and getting authority
4 to do that.

5 Finally, if Wisconsin has lost
6 34 state-inspected plants, it wasn't due to
7 border issues, it was due to a very
8 antiquated USDA federal policy that prohibits
9 the interstate shipment of state-inspected
10 meat products, something we think is long
11 overdue for being overturned.

12 MS. PAGE: Thank you. Appreciate you
13 honoring your time.

14 We are going to move to discussion
15 format, two-minute comments provided by each
16 of the panelists. And they will indicate to
17 me when they want to speak by -- Mr. Kuehne,
18 did you indicate that you wanted to open? Do
19 you want to seed your time.

20 MR. KUEHNE: Looked like the
21 Secretary --

22 SECRETARY JOHANNIS: No, go ahead.

23 MR. KUEHNE: The market conditions that
24 affect the entire beef industry, not just the
25 packing industry but the entire beef industry

1 are, in fact, artificial. They have been
2 artificially graded as a result of the
3 inappropriate border closing in Canada and
4 the loss of our export markets.

5 Those people that take the position
6 that our international trade should continue,
7 but yet we should close the borders with
8 Canada or keep them closed are absolutely
9 inconsistent and have no comprehension of
10 what international trade is all about.

11 To some extent, it reminds me of
12 the victims of the tsunami. When the wave
13 was pulled away from the shore, there was
14 ample food supply, fish, all kinds of sea
15 life that was available for the taking of on
16 the empty beaches. People rushed out, picked
17 up the fish. It was free. They got a great
18 benefit. What happened when the wave came
19 back? We all know. And I suggest to you
20 that the people that are isolationist are
21 very close from an analogous situation to the
22 victims of the tsunami.

23 That will happen to them as our
24 packing industry becomes disintegrated and as
25 our packing industry moves to Canada and as

1 we continue with the loss of our exports
2 markets. There will, in fact, be significant
3 losses in the meat packing industry.

4 There is no risk of BSE in this
5 country. We talked about that extensively
6 this morning. There is no epidemic. In the
7 past 15 to 20 years the United States
8 Department of Agriculture has, in fact,
9 established appropriate safeguards and
10 methods to protect not only animals, but
11 public safety in the food supply.

12 MS. PAGE: Mr. Secretary.

13 SECRETARY JOHANNIS: If I could do to
14 you, Keith, what I did to Dr. DeHaven. As
15 you're making your way, I'll start my first
16 question.

17 Fairly recently, within the last
18 month, I was in Kansas and doing a town hall
19 forum, not as large as this, but same concept
20 [inaudible] Roberts. And I had a gentleman
21 come up to me and he said something
22 interesting and I would like your comment on
23 it. He said, "I'm a cattle feeder, but I'm
24 not feeding cattle now." And I said, "Why?"
25 He said, "The cost of replacements has made

1 this thing a very, very high-risk market."

2 And he said, "I'm going to sit this one out
3 until it straightens out."

4 What's he saying to us?

5 DR. COLLINS: Mr. Secretary, I think
6 what he's saying to you is that he has been
7 in a position for some time, for at least six
8 months or longer, of it being a touch-and-go
9 situation to make money feeding cattle in the
10 United States.

11 Right now if you're buying feeder
12 cattle for \$110 or more a head, recent
13 prices, you really have to look at current
14 corn prices and soybean prices. You really
15 have to look at live cattle, head cattle
16 price of \$90, \$91, a \$100 for that to be
17 profitable.

18 Now, fortunately we had that for
19 the first six months of 2005. But very
20 close -- it's been very close for some
21 producers. They are going to make money this
22 summer.

23 So I think what he's saying is is
24 the shortage of feeder cattle has put him in
25 a position of not being able to operate the

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1 way we normally operate.

2 SECRETARY JOHANNIS: Next question I want

3 you to comment on, I'm more of a consumer
4 today. I can walk into a grocery store, I
5 look across the array of products available,
6 talk about the retail price of beef, and I
7 would like you to offer some thoughts about
8 is there a breaking point for the consumer
9 where they turn to other forms of protein?

10 And be quick because the buzzer
11 went off.

12 (Laughter.)

13 DR. COLLINS: I will just say personally
14 as an economist, the retail price of beef has
15 worried me for cattle producers. If the
16 all-time record high for choice beef was in
17 the third quarter of 2004, \$4.13 a pound.
18 While in the second quarter of this year,
19 2005, we're going to break that. We're going
20 to average about \$4.20. And frankly I think
21 we are at that point, we are starting to get
22 signals from some restaurants that customers
23 are cutting back a little bit. We're going
24 to see more pork and more chicken come on the
25 line within the next couple of years. I

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1 think particularly broiler production is
2 going to expand. I think we're right at a
3 point we're suffering so much we're going to

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walk away from meat.

So that is a concern. My concern about the health of this industry is producing more beef and selling more beef to domestic consumers and selling more beef in the export market. That doesn't play profitability of cattle against profitability of packers. That means profitability within the whole industry. But that industry has to work together to produce a product that's going to be able to compete for the consumer dollar without scaring the consumer away.

Frankly I think we are right at that point now with the meat processing industry.

MS. PAGE: Thank you, Dr. Collins.

Mr. Bullard.

MR. BULLARD: I think it's important to note again, that the closure of the border to live cattle cannot be the sole reason for higher beef prices. Something else is at play here.

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We have, in fact, maintained the same amount of beef import volumes from Canada prior to BSE and after BSE. So there's no difference in the volume of beef

5 coming into the United States from Canada.

6 Also we've had -- been shut out of
7 export markets which has caused a backlog, in
8 other words, a building of available supplies
9 in the US of additional 2 billion pounds of
10 beef. So we've got more beef in the market.

11 We've reduced the 1.5 million head
12 of Canada live cattle into the US, but we've
13 increased the Mexican live cattle that have
14 come into the US. So the net loss is
15 one million head of live cattle out of the
16 entire US beef supply.

17 Ladies and gentlemen, that does not
18 result in a crisis situation as what has been
19 described here today. Let's put it in
20 perspective. The United States has a
21 95 million herd size. We are the largest
22 beef producers in the world. Canada in
23 comparison has about 14 million head. It is
24 small in comparison.

25 It isn't a credible argument to

1 think that the packers are going to leave the
2 largest beef-consuming nation in the world in
3 order to move with smaller production area.
4 Changes do occur. We've recognized there are
5 entities and firms and people that are being

6 hurt by the economic change that we are going
7 through, but it is not a crisis. It isn't
8 even comparable to the crisis that our
9 industry has gone through recently in that
10 we've reduced our numbers of United States
11 independent cattle producers by over 180,000
12 producers in the last ten years. This is a
13 changing industry. It's a competitive
14 industry. And it's important for us to look
15 at this from a proper perspective.

16 Thank you.

17 MS. PAGE: Mr. Nalivka.

18 MR. NALIVKA: Thank you. I just want
19 to -- in a little bit comment to what
20 Mr. Bullard said. I think we need to think
21 back that the cattle cycle has been around
22 for over a hundred years. And the numbers go
23 back to -- the USDA first started recording
24 numbers back in 1888 approximately.

25 We've gone through these cyclical

1 laws and we've gone through cattle cycle
2 buildup with herds, liquidation of herds.
3 We've had packing capacity, we've had feed
4 lot capacity since the 1960s and there has
5 always been adjustment. When the herds
6 liquidate, we have one of the most rapid

7 liquidation of cattle members since 1975 to
8 1979. We took -- went from 132 million down
9 to 110 million. That's a lot more rapid
10 liquidation than we've seen today. And yet
11 the industry adjusted with all the packing
12 capacity we had too, that the industry came
13 back and adjusted, we didn't -- we are not
14 going through the same severe crisis or we
15 did not go through the same severe crisis
16 then as we're going through today. And one
17 of the reasons is is that we've seen more
18 increasing global demand, market share,
19 building global markets, US demand has been
20 increasing significantly over the last seven
21 years.

22 You can't take a nation like the
23 Canadian border, somebody take those cattle
24 out of the mix and expect to have a good
25 result. It's not the same situation.

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1 And I guess I would take a
2 little -- you know, I'd argue a little bit
3 that it is the Canada border that is the
4 issue today and the closure of that border to
5 live cattle.

6 It's not -- we are in a different
7 world today than we were -- than we have been

8 traditionally in the cattle cycle.

9 MS. PAGE: Which one of you indicated
10 the desire to speak first.

11 Mr. Sjodin.

12 MR. SJODIN: You know, I think we've got
13 to do a better job to continue to promote
14 your beef. It's the best food you can buy.
15 And when we talk about the price of beef,
16 what are we comparing it to? Look at your
17 health insurance. Look what it costs to fill
18 a tank of gas. Beef is a bargain, and let's
19 not forget it.

20 MS. PAGE: Mr. Kuehne.

21 MR. KUEHNE: The fact of the matter is
22 is that for the past 100 years before May of
23 2003, the Canadian market and the United
24 States market were fully and completely
25 integrated. Not only cattle coming into this

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1 country to be harvested, but significant
2 amounts of feeder cattle came from Canada,
3 cattle from this country went to Canada, we
4 finished, came back here to be processed. We
5 were, in fact, integrated.

6 The artificial circumstances now
7 have, in fact, created the circumstances that
8 exist in the meat packing industry. What

9 happens to the meat packing industry will
10 ultimately have a direct effect on the rest
11 of the beef industry in this country. We
12 cannot be blind to the clear facts, and
13 Dr. Collins has, in his charts, indicated the
14 percentage of cattle by state that came in
15 from Canada. It is significant.

16 We have, in fact, created a
17 significant global competitor in Canada.
18 Canada is very aggressive in the marketplace.
19 They have, in fact, taken the United States
20 beef market in Hong Kong, they are exporting
21 meat to Hong Kong in record numbers. What
22 market will be next?

23 And once those markets are lost,
24 they are extremely difficult to get back.
25 The dollars that are gained from export

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1 markets, in fact, flow through to the
2 producers through the price of their
3 livestock. Once those markets are gone, once
4 those dollars are gone, the producers will
5 not get their dollars. This is a very
6 significant long-term dislocation of our
7 industry, and I'm talking about the entire
8 industry, that is clearly artificially
9 created.

10 The isolationist's efforts are like
11 a cancer. And it's a cancer on the entire
12 United States beef industry. The longer they
13 go unstopped, the greater the damage they
14 will have and their irreversible effects will
15 become permanent.

16 MS. PAGE: Mr. Secretary.

17 SECRETARY JOHANNIS: Keith, I've got to
18 bring you back. And I'll start this question
19 as you are heading back too.

20 The USDA has kept statistics on
21 various markets for a long, long time. And
22 we've studied cattle cycles and tried to
23 figure out what's happening and we've
24 released data all the time.

25 What my question is getting to is:

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1 What is different about this cattle cycle and
2 what are the consequences of that? What's
3 different about what's going on now and what
4 are the consequences of that?

5 And the second thing, Bill offered
6 some comments, and I was just curious as to
7 whether you had any thoughts.

8 DR. COLLINS: Well, I think, first of
9 all, in a lot of respect, these cattle cycles
10 are similar to others we have some years of

11 inventory gone up and then usually six years
12 of inventory gone down, actually go down like
13 ten years would go down, so the product has
14 actually been a little bit longer by this
15 time around.

16 But I think what's different about
17 how this cattle cycle plays out is the role
18 of the US cattle industry in a global economy
19 and in an integrated North American country.

20 In past cattle cycles, exports of
21 beef did not matter. When we started in
22 2002, we were exporting 9.5 percent of our
23 production. What we see when we look at it
24 in the world today is dramatic growth in beef
25 production in exports in other countries.

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1 Today Brazil has become the largest
2 exporter of beef in the world. We look at
3 China, tremendous growth of beef production
4 in China. China has a presence in Japan.
5 They're exporting -- their percentage gain in
6 the Japanese market has gone up dramatically.
7 Uruguay, huge exporter of beef. Argentina,
8 exporter of beef.

9 So I think what we need to do when
10 we think about this cattle cycle is we have
11 an integrated North American market that was

12 a fed beef market producing fed beef in the
13 most cost-effective way in preserving our
14 opportunity, growing our opportunity in the
15 world market.

16 Now two distinct markets, the
17 market for beef in North America and the
18 market the cattle. We are not producing beef
19 in the most cost-effective way. And that
20 opens the door that these emerging
21 competitors, I think, began a foothold in
22 time to come. So that's why we have to pay
23 attention about our cost efficiencies in
24 producing beef in North America.

25 MS. PAGE: Panelists, I am sorry to say

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1 that in order for us to have time to hear
2 from the audience, we are going to have to
3 close this portion. I know there is a lot of
4 strong feeling and five people would love to
5 be speaking.

6 Mr. Secretary, any comments before
7 we go to the public?

8 SECRETARY JOHANNIS: No.

9 MS. PAGE: Many of you have asked to
10 make public comments. I'm going to ask a few
11 of you -- I am going to call your name and
12 ask you to make your way towards these mics

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13 if you are not already there.
14 The first three are Dale Lueck,
15 Herman Schumacher and Alan Roebke, if you
16 would make your way over there.
17 We would like you to keep your
18 comments to two minutes. The timer lights
19 will be down here to help you monitor your
20 time, and I will give you an indication as
21 well.
22 MR. LUECK: First of all, I'd like to
23 thank the Secretary, University of Minnesota
24 and our Governor for hosting this great
25 opportunity to lay the arguments out and try

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1 to stay fact-based.
2 I guess from simply a cattle
3 producer's standpoint, I think there
4 continues to be great danger in at least one
5 participant up there.
6 Mr. Bullard and a group he
7 represents continuing to rattle the
8 unnecessary saber [ph.] of beef safety risks
9 to the American consumer. I'm in this boat
10 too, Mr. Bullard, and I don't think we've got
11 a safety problem. We've got a problem with an
12 organization that seems bent on
13 misrepresenting some facts.

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14 And you are threatening my livelihood and a
15 lot of other cattle producer's livelihoods by
16 taking on that task. There is no need to do
17 that. We've solved the BSE issue.

18 I think the next thing we need to
19 solve is the trade issue. If we keep the
20 borders closed, you're going to continue to
21 threaten and damage cattle producers and meat
22 packers and the industry at large.

23 So, you know, remember one thing,
24 cow/calf producer, after you sell that calf,
25 it belongs to that guy who is feeding it.

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1 And after he sells that feeder, it belongs to
2 the meat packer. And after he sells it, it
3 belongs to the retailer. So who are we to
4 try to dictate exactly what somebody else is
5 going to do with somebody else's -- with
6 their property.

7 You know, the Good Book says
8 something about taking care of what's yours
9 and not coveting what belongs to somebody
10 else.

11 Thank you.

12 MS. PAGE: Mr. Schumacher.

13 MR. SCHUMACHER: If I could direct this
14 one or two inches from the mic, I'm a loud

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15 talker. I run an auction mart.
16 First of all --
17 (Laughter.)
18 MR. SCHUMACHER: I'm not used to talking
19 into the mic.
20 Could I direct it as questions to
21 anybody on the panel?
22 MS. PAGE: This is not a Q and A -- a
23 question and answer session. If you could
24 direct your comments as a request to the
25 panel.

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1 MR. SCHUMACHER: Mr. Secretary, first of
2 all I want to thank you for having this panel
3 discussion here today. I think it's
4 valuable.
5 But you, Mr. Secretary, as quite a
6 few members of the panel have commented that
7 we are setting a poor example to Japan and
8 other exporting countries by not opening our
9 borders to the Canadian cattle.
10 Is it not true that we lost our
11 export markets because of a Canadian cow
12 found in Washington state. It is not true
13 that during the USDA comment period a
14 Japanese agency suggested that if we
15 segregate the Canadian beef from the US beef

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16 they would resume trade with us. And as --
17 you know, I'm sure many of you are aware from
18 last year a packing company by the name of
19 Creekstone had a plan all set up. In fact,
20 with the Japanese people to export to them.
21 And, in fact, I believe the Japanese
22 government would have even paid for the tests
23 and USDA stood in the way.
24 So if anybody wants to comment on
25 that, they may.

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1 MS. PAGE: Thank you. I do want to
2 point out Mr. Lueck was with the Minnesota
3 State Cattlemen's Association.
4 And Mr. Schumacher, you were with
5 R-CALF?
6 MR. SCHUMACHER: Yes.
7 MS. PAGE: And Alan Roebke is with
8 Agricultural Analysis.
9 MR. ROEBKE: Yes. Mr. Secretary, panel
10 and guests here today, I'm here to present
11 you, Mr. Secretary, with some information.
12 Some local, regional, national and press
13 people are soon going to be questioning you
14 on, and that's the BS environment of our farm
15 policy. And they've asked me to comment on
16 the good remarks you've made to ag state

17 congressman and senators about the budget
18 issue related to agriculture. In the same
19 time, they're asking you and the President to
20 come forward early on the internal study
21 within USDA that's defies the [inaudible]
22 going to show that farm policy is actually
23 going to cost the taxpayer tens of billions
24 of dollars more than what was presented at
25 the February outlook.

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1 And in that the cuts that the
2 state -- state and national congressmen are
3 looking at in farm policy are actually
4 meaningless in real dollar savings for the
5 taxpayer. And at the same time, after over
6 \$160 billion dollars in taxpayer money to the
7 nation's farms, the Iowa corn growers are
8 saying their priorities are not being met as
9 well as your own data from the USDA shows the
10 Illinois corn farmer this past year wouldn't
11 have needed any government money, yet got
12 over a billion dollars.

13 And the only thing presented for
14 change at the outlook conference in February
15 was a buyout of farm policy.

16 And in this data we're giving
17 information on the peanut buyout, the

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18 outrageous peanut buyout. And the press is
19 going to be questioning you. The honeymoon,
20 so to speak, sir, is over on the reality --
21 MS. PAGE: I didn't know that there was
22 one.
23 (Laughter.)
24 MR. ROEBKE: The 2005 alternative that
25 saves the taxpayer \$100 billion and saves the

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1 President \$10 billion this fall alone and
2 does what the farmer has asked all along and
3 that's to get the marketplace to work.
4 Mr. Secretary, we want to work with you. The
5 press has some really interesting questions
6 coming your way. And by the way, any
7 organization that would want a copy of what
8 I'm going to present to the secretary today
9 for \$100 is available.

10 (Laughter.)

11 MS. PAGE: Thank you, sir.

12 Our next three, Janet Riley,
13 Jim Hodges and Rafael Espinoza and
14 Andre Couture.

15 Janet Riley is with the American
16 Meat Institute.

17 MS. RILEY: Good afternoon. Thanks for
18 holding this session.

19 And while we were here in this room
20 discussing some important issues, 200 people
21 in Gering, Nebraska are looking for new jobs.
22 Their packing plant closed this week because
23 they could not source enough cattle due to
24 the embargo is not the first plant, and it
25 won't be the last.

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1 And that's why I and so many others in this
2 room are wearing these black wristbands,
3 because they are the color of mourning as
4 Carl Kuehne explained. And that's exactly
5 how we feel about our industry. What's
6 happening is tragic.

7 When we banned Canadian cattle and
8 beef, we force Canada to expand its slaughter
9 capacity with new, state-of-the-art plants
10 that offer us serious competition.

11 US policies are stoking Canada's
12 meat packing engine. We are killing our
13 plants. We are committing economic suicide.
14 Sadly the escalations get credit for this
15 economic debacle. Their successful efforts
16 to block trade transmit in to record-high
17 prices for cattle, at least for the
18 short-term.

19 Meanwhile, Americans are paying

20 record-high prices for beef, the highest
21 since 1979. Beef is being priced out of
22 reach for Americans, and that is a shame.

23 I disagree strongly with
24 Mr. Bullard. Our industry is in a crisis.
25 This string will drive businesses into

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1 bankruptcy, and it will force consolidation.

2 It is my hope that the Ninth
3 Circuit will recognize that this is just a
4 profit-making game with the isolationists and
5 the Court will reverse the preliminary
6 injunction. It is my hope that the Court
7 will see what my industry sees, the
8 isolationists are invoking cancer on our
9 industry. And the longer they go untreated,
10 the greater the damage they will do and the
11 more irreversible the effects will become.

12 We commissioned a cartoon which is
13 on our website. It shows a cattleman with a
14 sign that says, "Keep the borders closed."
15 And it shows a cow in concentration biting a
16 cattleman in the butt. And the tag line
17 says, "Sometimes what seems like a great idea
18 can bite you in the butt." Don't let that
19 happen to our industry. Open the borders
20 now.

21 MS. PAGE: Mr. Jim Hodges, American Meat
22 Institute.

23 MR. HODGES: Mr. Secretary, thank you
24 very much for the opportunity to provide some
25 supplementary comments to those that was made

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1 this morning.

2 Make no mistake about it, the North
3 American beef is safe. That's not my
4 opinion. That's a statement based upon
5 scientific fact, expert review, surveillance
6 programs and careful consultation with
7 experts around the world.

8 There are those who will attempt to
9 advance many conspiracy theories. They'll
10 try to alarm the public with publicity stunts
11 and false claims of imminent danger. We
12 cannot let this animal disease become an
13 emotional disorder. We must allow science to
14 chart the course and not hysteria.

15 The facts are clear, the US and the
16 Canadian systems operate under virtually
17 identical government regulations. We raise
18 and process our animals in almost identical
19 fashion. Indeed we are mirror images of one
20 another.

21 We cannot criticize Canada without

22 cri ti ci zi ng oursel ves. The i sol ati on i sts
23 have made many false claims about the
24 adequacy of Canadian's regulatory system.
25 For every claim we've got real scientific

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1 evidence that will show these claims are
2 nothing more than rhetorical roadblocks.

3 One of the greatest ironies of our
4 partially-closed border is that while we ban
5 Canadian cattle imports we prevent Canadian
6 beef imports. When our policy permit beef
7 from Canada but not animals from which it is
8 derived, our policy sends a message to the
9 world that Canada does a better job of
10 processing cattle than we would if we
11 imported the cattle here and processed them
12 ourselves. And we lose the opportunity to
13 add value by taking -- putting beef on the
14 hook and making it beef on the plate.

15 North American beef is safe. North
16 American cattle are healthy, safeguards are
17 in place, and those safeguards are
18 appropriate for the extremely low risk in
19 North America.

20 MS. PAGE: Thank you, Mr. Hodges.

21 Rafael Espinoza is from UFCW
22 Local 789.

23 MR. ESPINOZA: Hello. My name is
24 Rafael Espinoza and I'm a union rep with the
25 UFCW Local 789. We represent the meat

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1 packing workers. And right now our members
2 are hurting. These are people that used to
3 work around 50 hours a week, now they are
4 working 20, 28, 30 at most.

5 We have about five plants that are
6 hurting right now that support more than
7 1,000 families. Most of our members, the
8 entire family's working there, the mom, the
9 pop, the son and the daughter are working
10 there. So if the industry is hurting, the
11 entire company is going to hurt.

12 They asked me to come here and talk
13 about the -- that they are hurting. These
14 are good jobs. These are union jobs with
15 good pay and good benefits. They are not
16 going away. I've been working with unions
17 for a long time. One thing that I can tell
18 you is that when the jobs go away, they never
19 come back.

20 Thank you.

21 MR. PAGE: Mr. Couture, if I could just
22 call the names of the next folks before you
23 begin, Tom Riemann, Dennis Swann,

24 Steven Roach and Tim Nolte who will make
25 their way to the microphones.

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1 Mr. Couture is with the Canadian
2 Renderers' Association.

3 MR. COUTURE: Hello. I represent the
4 Canada Renderers' Association, but I'm also
5 part of a rendering group that operates in
6 eastern Canada, but we also have operations
7 in the upper Midwest. So I'm used to seeing
8 both sides of the story. I'm also the
9 rendering representative at our Canadian beef
10 roundtable. And the situation is a bit
11 different there, where the packers are
12 enjoying themselves and the cattle producers
13 are hurting quite badly.

14 I think that officially everybody
15 embraces free trade. But unfortunately,
16 everybody doesn't like imports. And we are
17 seeing here some activist groups that are
18 trying to use many different regions to
19 promote protectionism.

20 Lots of examples have been used
21 today, I think, that are wrong, and they're
22 superfluously dealt with. There is a lot of
23 comparison with the EU and Japan.

24 It should be noted that Japan has

1 from the EU for a number of years until
2 year 2000, and had no ruminant feed ban in
3 place.

4 So sometimes we have to look at
5 other people's problems with a history of
6 their problem and how they have dealt with
7 the problem in the years prior.

8 The EU is as much of a worse case
9 scenario as a renderer could think of. They
10 have a way to manage their problems in a
11 different way than we do here in North
12 America, and right now they're trying to get
13 out of their feed ban. And I was just at the
14 European Renderers' Convention last week, and
15 it's been two years now that they have been
16 trying to reintroduce products that were
17 removed for what they felt was a good reason
18 at the time, but it's impossible to bring
19 back those products.

20 So we have to be very careful about
21 putting forward some things that will be
22 impossible to dismantle, just like closing a
23 border.

24 Thank you.

25 MS. PAGE: Tom Riemann, N. A. B. C.

1 MR. RIEMANN: Thank you. Mr. Secretary,
2 while a lot of people got a geography lesson,
3 I grew up in Southern Minnesota, so I know
4 where Osage is.

5 I was glad to hear you talk that
6 you were concerned about smaller companies,
7 because I represent the bison industry here
8 today from a co-op perspective, and I want to
9 speak to that, because they represent less
10 than one percent of what the cattlemen's
11 business is today. Our cooperative is
12 comprised of over 300 members that are spread
13 across 18 states in the United States and
14 five Canadian provinces.

15 The border closing has really
16 negatively impacted our industry, our co-op
17 and our members. We need to get the border
18 open as quickly as possible because it is
19 curtailing our ability to supply our current
20 customers plus grow our business.

21 There are several reasons why we
22 believe that we could provide an internally
23 safe a carve-out, if you will, for bison. We
24 believe that both the underlying science and
25 the need for industry justify your

1 intervention, and will not endanger livestock
2 nor poultry.

3 First, bison producers have
4 historically only fed all-natural rations
5 excluding ingredients such as meat or
6 bonemeal.

7 Secondly, both the United States
8 and Canadian bison industries have
9 incorporated additional levels of oversight
10 and education to ensure that bison-fed
11 regimens are hormone-free, growth-promoted
12 free and free of all animal byproducts.

13 Third, Canadian bison have been
14 under a disease surveillance program since
15 1992 for specific diseases which enables the
16 monitoring of general health of the bison
17 herds.

18 The taking of bison upon leaving
19 the herd of origin has been mandatory since
20 January 2001 and industry continues its
21 efforts in enhancing bison tractability. In
22 2004 the program evolved into a slaughter
23 surveillance program. The Canadian
24 government has allocated over \$92 million to
25 enhance measures of identification, tracking

1 and traceability.

2 Fourth and probably the most
3 important point I'd like to make --

4 MS. PAGE: Mr. Swann, make it very
5 tight, please.

6 MR. SWANN: Bison has never had a
7 reportable case of BSE. I'd like to thank
8 you for your time and please give your
9 attention to trying to making bison a
10 carve-out the border issue.

11 Thank you.

12 MS. PAGE: Steven Roach of the Food
13 Animal Concerns Trust.

14 MR. ROACH: Hello, I'm Steven Roach, and
15 I'd like to, again, thank the Secretary for
16 providing me an opportunity to make comments.

17 The fact is consumer organization
18 that promotes farming practices to improve
19 the safety of meat, milk and eggs. And we
20 would like to point out to the USDA and the
21 Secretary we understand its commitment to the
22 producers, but they are not the only
23 stakeholders concerned in this issue. The
24 USDA has an obligation to the broader public,
25 not just the livestock industry.

1 Creating a panel made up of almost
2 exclusively members who have an economic
3 interest in promoting the safety of beef is
4 not a way to create consumer confidence. In
5 fact, we would recommend that in the future
6 USDA in a plan of panels like this include
7 members of the public health and also the
8 consumer advocacy community in its panels.

9 Continuing on the topic how to
10 promote consumer confidence in the safety of
11 US beef, FACT recommends that USDA engage an
12 outside organization to review the advocacy
13 of its surveillance program. This is
14 especially important given that insurance
15 rates by the USDA'S own Inspector General on
16 the advocacy of this surveillance program. I
17 would recommend perhaps that the Secretary
18 call another international review panel to
19 see how. We know that you took a lot of
20 samples, but it'd be nice to look at how
21 involved in the industry it is.

22 Finally FACT recommends that USDA
23 resist the pressure to roll back the downing
24 on nonambulatory cattle. It is not
25 surprising that all five North American cases

1 were nonambulatory cattle, because that's the
2 only cattle that you really look for the
3 disease in. But it's also important to point
4 out is that three out of the five
5 nonambulatory cattle that were detected with
6 BSE in North America were considered
7 nonambulatory not because of the disease, but
8 because of injury. So some people are
9 arguing that we should only consider cattle
10 -- we shouldn't consider cattle that have a
11 broken leg as injured, but sometimes injuries
12 are a result from an underlying disease.

13 MS. PAGE: Mr. Roach, if you would
14 summarize.

15 MR. ROACH: Yeah, so I'd just like to
16 summarize today with saying there is
17 overwhelming public support to keep the ban
18 on nonambulatory cattle in place. And we
19 would hope that you would keep that in mind.

20 Thank you.

21 MS. PAGE: Tim Nolte, Minnesota
22 Cattlemen.

23 MR. NOLTE: Hello. I'm a cow/calf
24 operator, and we all as a whole tend to feel
25 that we get forgotten about in all of this.

1 We always hear about net profits in the
2 cattle industry mainly on the packer side of
3 things. I can tell you this, it's been
4 20 years that me and my family have been
5 cow/calf producers.

6 In the early '90s, cattle was at a
7 buck. High '80s, low '90s, we were making
8 \$250 a cow. Now with record-high prices
9 being offset with such record-high inputs,
10 we're looking at \$125 a cow/calf or per-cow
11 basis.

12 And the consensus of a lot of us
13 cow/calf producers, we just get lost in this
14 thing. And the suits and ties at the USDA
15 and NCBA and R-CALF should get together and
16 talk and hold hands or whatever just to get
17 our beef sold for good prices because we
18 can't take much more of this; and whether it
19 means the border is open or not. We trust
20 what you guys are doing, and we want you to
21 do it.

22 MS. PAGE: Thank you. We are going to
23 have time for four more folks to make public
24 comments. It will be Russel Johnson,
25 Terry Arver, Mike Langenhorst and

2 Russel Johnson -- no?

3 MR. SWAN: Dennis Swan.

4 MS. PAGE: Oh, Dennis, I am so sorry.

5 Go.

6 MR. SWAN: I'm Dennis Swan. I represent
7 Beef Counsel. I opened the meeting today and
8 welcomed everybody here, and I want to
9 especially welcome the Secretary, the
10 panelists today for coming and opening this
11 discussion and hope a lot of positive things
12 can come out of this meeting to everybody.
13 And I especially welcome the rest of the
14 people that are here and taking part in it.
15 And my own hope is a lot of the positive
16 things, that we could get things going,
17 businesses going as it was before.

18 Thank you.

19 MS. PAGE: Russel Johnson, Minnesota
20 Cattlemen.

21 MR. JOHNSON: My name is Russel Johnson.
22 We're cow/calf producers from a city in
23 Minnesota, my wife and two daughters and
24 300 feed cows are our primary source of
25 income. I am a member of R-CALF. I have

1 been [inaudible] for few years.

2 THE COURT REPORTER: Excuse me, I need
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3 you to speak up down here.

4 MR. JOHNSON: Oh, I don't think they've
5 quite -- they've lost touch with their
6 cow/calf producers. I'm not against any
7 packers or anything like that, but the rest
8 of you have with no exports at 46 percent
9 there. Japan won't even testing, and to
10 allow in Canadian beef without exports and
11 the calf, that's [inaudible] is another
12 thing, [inaudible] but [inaudible] on the
13 size of Canada to allow that in next, whether
14 it be South America, you've got a recipe
15 there for 30 -- 20, 30 [inaudible]. If that
16 is your goal, let me know so I can cash in my
17 chips. I've been in the cow business for
18 40 years. It just appears that the large
19 deal with Senator Charles Grassley called the
20 NCBA -- I'm not into name calling, this seems
21 to fit the situation. NCBA USDA packer
22 [inaudible] --

23 MS. PAGE: You need to speak into the --

24 MR. JOHNSON: -- I hate to say that, but
25 it seems that you are more concerned about

1 the North American and not the Central
2 American cattle industry and the packers than
3 the cow/calf -- remember, this is the United
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4 States, and you do work for me.

5 Thank you.

6 MS. PAGE: Terry Arver.

7 MR. ARVER: [Inaudible] comments to the
8 panel regards about quality and safety as it
9 related to animal slaughter. Roughly
10 90 percent of US beef is from animal
11 slaughter under 30 months of age. BSE is
12 rarely detected in the brain of cattle under
13 30 months of age using current ELISA
14 technology.

15 Cattle under 30 months of age may
16 have BSE in their distal ileum, oral tonsils
17 and possibly other tissues and still be
18 considered BSE negative. This means unknown
19 BSE contamination may occur at the slaughter
20 facilities. For this reason, shouldn't
21 wastewater generated at slaughter and
22 rendering be considered potential SRM and
23 thus require holding and treatment to destroy
24 infectious prions.

25 I see this issue as a possible

1 Loophole in current SRM management that could
2 possibly hurt the meat industry sometime down
3 the road.

4 Thank you.

5 MS. PAGE: Mr. Mike Langenhorst from
6 AnAmax.

7 MR. LANGENHORST: I'm Mike Langehorst
8 with AnAmax Corporation. We are a rendering
9 industry in Green Bay, Wisconsin, plants in
10 Madison, Kenosha and St. Paul, Minnesota.

11 Utilization of scare tactics today
12 has really no place regarding this issue.
13 And to try and correlate what happened in the
14 EU to what's happening in North America is
15 ludicrous. I've put together a little chart
16 trying to put together an explanation as to
17 the differences.

18 BSE was found in the UK in 1986.
19 Their feed ban didn't go into place until
20 1988. Our feed ban went into place in 1997.
21 We found four cases between 2003 and the
22 present. There were 185,000 tested positive
23 cases in the UK primarily and about 2,000 or
24 3,000 throughout the world outside of that.
25 There have been four positive in North

1 America.

2 It's assumed that over 1.6 million
3 animals that have had BSE got into the food
4 chain in the UK and throughout the EU. There
5 have been 158 people that have come down with

6 variant CJV. It's a terrible disease. But
7 it's also extrapolated that there were over
8 1.6 billion positive animals that got into
9 the food chain that people ate. That means
10 that for every 8,000 positive BSE cases there
11 may have been one case of variant CJV. We
12 have tested over 375,000 animals and found
13 zero.

14 The Harvard risk assessment says
15 that if there are ten positive animals that
16 happen to get into the rendering chain, what
17 happened to be rendered and what happened to
18 get into the feed chain there might be five
19 cases of BSE that developed in animals over
20 20 years. By removing the SRMs that you're
21 proposing, we have an 80 percent reduction.
22 All we ever hear about is the 80 percent.
23 That means you go from five animals in 20
24 years down to one.

25 That means you have to have ten

1 positive cases. That means all ten have to
2 get into the feed chain.

3 Current programs in place
4 adequately provide for safe cattle population
5 in North America. We've heard the Secretary
6 talk of change. The day that we begin

7 regulating based on perception, public
8 opinion, short-term protectionism with a
9 precautionary principle as opposed to sound
10 science is a change that we cannot allow to
11 happen.

12 Thank you.

13 MS. PAGE: Mr. Johnson from the
14 Minnesota Meat Processors.

15 MR. JOHNSON: Hi. I have a meat
16 processing plant. And I think the BSE
17 protection program that's in place is working
18 well. We talk about loss of money for the
19 big people, but you stop and think about the
20 farmer who has a 1,000 animal, so he's got
21 about 1,000 bucks tied up in it, whatever,
22 and he's unloading it from the trailer to get
23 it slaughtered at a local-little locker plant
24 and breaks a leg, now we have -- have to
25 destroy the whole animal, that's a loss of

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1 income to the smaller locker plants and also
2 to the farmers. We need to think about that.

3 Thank you, Mr. Secretary.

4 MS. PAGE: Mr. Secretary, I started out
5 this morning by asking the audience and the
6 panelists to give each other the gift of
7 attention, and they did a beautiful job.

8 This is clearly a very passionate topic. And
9 I want to applaud you for the attention you
10 gave to the different points of view.

11 Thank you very much.

12 Mr. Secretary, closing comments.

13 SECRETARY JOHANNES: Well, let me offer
14 just a couple of minutes worth of closing
15 comments. First and foremost along the same
16 line, thank you very much for being here,
17 it's appreciated. I personally felt that
18 this was very valuable. There are
19 differences of opinion as you can see from
20 the panelists and as you can see from the
21 people who have offered their thoughts.

22 Mr. Nolte, I really appreciate your
23 comments, I lost track of -- there you are.
24 You know, I think that probably is the bottom
25 line, people are saying to us: Try to figure

1 out a way to work through these issues,
2 livelihoods are at stake. That's the topic
3 this afternoon.

4 But we also want to make sure that
5 we are protecting the consumer. And I have
6 to tell you that a whole body of people, a
7 whole bunch of people, I should say, spent a
8 lot of time studying the science and trying

9 to get an understanding of how best to do
10 that, and that's how this process came about.

11 When I was a practicing lawyer and
12 I would deal with very difficult, complex
13 cases, one of the responsibilities I had was
14 to try to boil that down so people could
15 understand it and make a thoughtful decision
16 based upon the facts, based upon the
17 information that was presented.

18 There is some things that occurred
19 to me that I believe it would be pretty tough
20 to dispute. The first thing that occurs to
21 me is, you know, when I have a feeder from
22 Kansas come to me and tell me: I'm waiting
23 this one out because it's too high risk, that
24 tells me that something is going on in the
25 marketplace.

1 I spoke to the Cattlemen's
2 Convention recently in San Antonio, and I
3 know tons of people in this industry because
4 I come from a cattle state. And one of the
5 people that I rely upon a lot is cattle
6 feeder there, and I said, "Boy, times must be
7 good." He said, "Mike, we are hoping to
8 break-even this year."

9 That's with the very high cattle
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10 prices that we have seen. The cattle guy is
11 out there trying to figure out how to get
12 through where we are at today.

13 Second thing that I don't think
14 there is any dispute about is that plants are
15 closing. I think to all of us, that's not --
16 that's not something we should take lightly.
17 These are our small communities, these are
18 rural areas, these are real people, these are
19 real families. And once closed, they aren't
20 going to come back. It's not like I can open
21 the border tomorrow and Gering, Nebraska all
22 of a sudden rehires 200 people. They have
23 now made an assessment of the marketplace and
24 that plant is closed.

25 But that's 200 in Gering that I

1 happen to be familiar with because I
2 represented that state, that's 6,100 across
3 the country.

4 The other thing that I think is a
5 given is that we have all worried about a
6 rather remarkable amount of consolidation in
7 this industry. We've seen it happen, Bill,
8 you and I can debate why it's happening, but
9 it's happening.

10 It happened before the Canadian
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11 issue came along and I just see what's
12 happening now. It's being exacerbated by the
13 current situation. We are losing processing,
14 they are gaining processing. In the end in a
15 tough marketplace, you know what happens. It
16 isn't the big guy that goes under. They have
17 the capital, the liquidity all of the other
18 things that give them the staying power. It
19 truly is the little guy. It's the outfit out
20 there that just can't see any way out of
21 this. Maybe they start to cut hours, lay
22 people off and finally close the plant.

23 High-risk markets are not good for
24 the little guy, I don't care for cow/calf or
25 calf/cattle or retailer or whatever, they are

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1 not good.

2 The other thing that is a given is,
3 we've had decades of statistics to prove
4 this, we have a very, very high retail price.
5 I agree with you, I'm a big beef eater.
6 There is hardly a day goes by that I don't
7 eat beef. I enjoy it, any kind of beef,
8 doesn't matter what you put in front of me, I
9 just love beef. I grew up on beef, I love
10 it.

11 Folks, there are a lot of choices
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12 out there. You raise a very high quality
13 product, best ever, in my personal opinion.
14 I remember the days when our show
15 calf was six inches off the floor of the
16 arena, remember that, and your steak was
17 marbled with so much fat that, that's the way
18 we ate it. It's not that way anymore.
19 Consumers said, "We want a leaner product,"
20 and you produced it, and did a heck of a job
21 with it. But the consumer has choices and
22 they have a budget and they have got to
23 balance that budget and they will make
24 choices. And I'm going to do everything I
25 can to tell them to make choices about beef

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1 because I believe it is a wonderful product.
2 But I will tell you that pocketbook drives
3 those decisions and I think that's a given.
4 The other thing is when it comes
5 down to the scientific safety of what we are
6 doing, keep in mind, at least at this stage
7 with the minimal-risk rule, we are talking
8 about animals under 30 months and beef under
9 30 months. You get a lot of criticism about
10 beef from animals over 30 months and
11 scientific inconsistency, and I stepped up
12 and changed that.

13 But, you know, you remove the SRMs,
14 the best science we have says that takes the
15 risk away from humans. You can see we are on
16 the down cycle of this event called BSE. Why
17 is that, because of the ruminant-to-ruminant
18 feed ban and the enforcement of that feed
19 ban.

20 This was a complicated thing to put
21 in place. And it wasn't a recall. And
22 Canada has a very proud industry and a very
23 aggressive enforcement plan. With anything
24 you can probably find grounds for criticism,
25 but you know what, our enforcement has been

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1 criticized here by some. And what we take
2 that as is a challenge to get even better in
3 what we do and I think Canada does too.

4 The other thought I wanted to offer
5 is that just in -- this will wrap up my
6 comments, somebody mentioned CAFTA. Boy, you
7 don't want to get me started on CAFTA because
8 you will be here a lot longer than you want
9 to be.

10 There is so much misunderstanding
11 about trade, but there are some numbers that
12 I want to share with you that are very, very
13 real again, numbers that we can't dispute.

14 27 percent of our ag receipts come from
15 trade. Obviously North Dakota recently --
16 they are giving me a hard time on some trade
17 issues, and I said, "Wait a second, I looked
18 at your statistics and 45 percent of your
19 receipts coming from trade." In fact, I
20 think it's higher than that. In Minnesota I
21 think it's 30 percent, but the national
22 average is 27 percent.

23 Ninety-five percent of the world's
24 population doesn't live here with us. They
25 live outside of our borders. They are our

1 customers and we need to make sure that we
2 are doing everything we can to satisfy that
3 customer base because we can't consume
4 everything that this unbelievable
5 agricultural engine produces.

6 Our producers are the most
7 productive in the history of mankind. We
8 can't consume everything produced here. And
9 you can look at state after state. And the
10 state I came from, we are the fourth largest
11 exporter of ag products and we are a state of
12 only 1.7 million people. If I was not there
13 selling our products in the international
14 marketplace, we were in serious financial

15 trouble.

16 We've studied your productivity and
17 for 40 years it's been growing 2 percent a
18 year. Our ability to consume has been
19 growing less than a percent in this country.

20 If you are getting 2 percent more
21 productive every year and our ability to
22 consume is growing half that and 95 percent
23 of the world's population lives outside of
24 our border, what conclusion do you reach, you
25 better find marketplaces.

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1 And that brings me to CAFTA and
2 that is -- do you know what CAFTA does, do
3 you know what the current situation is today,
4 beef producers? In the CAFTA countries they
5 bring their products here to compete against
6 you, duty free.

7 You go to sell your beef there you
8 will pay a 30 percent duty. Now, anybody
9 want to engage me in that being fair to the
10 American farmer and rancher, it's not. It's
11 a raw deal. What does CAFTA do, it brings
12 those duties down. That is what CAFTA does,
13 it brings those duties down.

14 So the final thought is something
15 I've said so many times, it's a small world

16 out there anymore. When I grew up we
17 competed maybe with the state next door. Now
18 we compete with beef producers all over the
19 world and you know what, they want our
20 marketplace. They are very, very competitive
21 and they get better and better at what they
22 are doing.

23 I feel very strongly that we've got
24 to work together to decide these issues, get
25 them decided on a science based principle.

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1 We feel strongly we have done that, and then
2 you need to turn me loose to level the
3 playing field for you. And I will promise
4 you in the time I am there, over the next
5 four years, if the President wants me that
6 long, I will give everything I have to that
7 effort.

8 So maybe today's dialogue is an
9 opportunity for that discussion of
10 cooperation and working together to put this
11 industry focused on a goal of building the
12 industry in the future, maybe that discussion
13 started today. I hope and pray so.

14 Thank you so much for being here.

15 (Applause, end of discussion at
16 1:41 p.m.)

~4525779. txt

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